

REP. BART STUPAK HOLDS A HEARING ON THE DEEPWATER HORIZON OIL RIG SPILL - COMMITTEE HEARING

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HOUSE COMMITTEE ON ENERGY AND COMMERCE, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS HOLDS A HEARING ON THE DEEPWATER HORIZON OIL RIG SPILL

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WITNESSES: LAMAR MCKAY, PRESIDENT AND CHAIRMAN, B.P. AMERICA, INC.

STEVE NEWMAN, PRESIDENT AND CEO, TRANSOCEAN LTD.

TIMOTHY PROBERT, PRESIDENT, GLOBAL BUSINESS LINES, CHIEF HEALTH, SAFETY AND ENVIRONMENTAL OFFICER, HALLIBURTON

JACK MOORE, PRESIDENT AND CEO, CAMERON

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[*] STUPAK: This meeting will come to order. Today we have a hearing titled Inquiry into Deep Water Horizon Gulf Coast Oil Spill.

We have a number of members present for this hearing who are not members of the subcommittee but are members of the full committee. We welcome them, and I note that they will be allowed to submit written statements for the record. But I will not -- but they will not be allowed to deliver verbal opening statements.

In addition, after all subcommittee members complete their questioning, full committee members will be allowed to ask questions. Members who are not on the subcommittee or full committee

are welcome to observe, but they will not be permitted to give a verbal opening statement or ask questions due to time constraints.

The chairman, ranking member and chairman emeritus will now be recognized for a 10-minute opening statement. Other members of the subcommittee will be recognized for a three-minute opening statement.

I yield to the chairman of the full committee, Mr. Waxman, for an opening statement.

WAXMAN: Thank you very much.

Last month a blowout occurred on an oil rig drilling in deep water off the Gulf of Mexico. Eleven people lost their lives, and an environmental calamity is now unfolding in the Gulf as oil gushes from the well and threatens the coast. We're here today to begin the process of understanding what went wrong and what we need to do to prevent future catastrophes.

The investigation is at its early stage, but already we have learned some key facts. B.P., one of the world's largest oil companies, assured Congress and the public that it could operate safely in deep water and that a major oil spill was next to impossible. We now know those assurances were wrong.

Halliburton, one of the world's largest oil service companies, says that it had secured the well through a procedure called cementing and that the well had passed a key pressure test. But we now know this is an incomplete account.

The well did pass positive pressure tests, but there is evidence that it may not have passed crucial negative pressure tests. According to a senior B.P. official, "Significant pressure discrepancies were observed in at least two of these tests, which were conducted just hours before the explosion."

Transocean, one of the world's largest operator of drilling rigs, says it has no reason to believe that the rig's fail-safe device, called a blowout preventer, was not fully operational. But we have learned from Cameron, the manufacturer of the blowout preventer, that the device had a leak in a crucial hydraulic system and a defectively configured ram. And we know there are major questions about the effectiveness of B.P.'s response to the spill. The company said it could manage a spill of 250,000 barrels a day. Yet it's struggling to cope with this blowout, which is releasing only 5,000 to 25,000 barrels a day.

The more I learn about this accident, the more concerned I become. This catastrophe appears to have been caused by a calamitous series of equipment and operational failures. If the largest oil and oil service companies in the world had been more careful, 11 lives might have been saved and our coastlines protected.

It's dangerous to drill for oil a mile below the ocean's surface. An accident can wreak environmental havoc that destroys livelihoods and imperils fish and wildlife. The oil companies make billions of dollars from taking these risks, but they don't bear the full cost when something goes drastically wrong.

In the course of our investigation we have received over 100,000 pages of documents. The story that these documents and our interviews tell us is a complicated one. At this early stage in the

investigation we have far more questions than answers. But we have learned some important facts which Chairman Stupak, Chairman Markey and I will describe in our statements.

There are four principle areas of inquiry that our committee is pursuing. The first involves questions related to well integrity. We know there was a failure of the well because gas surged up the riser and exploded on the rig. We will be investigating what caused the breach in well integrity and who was responsible.

The second area of inquiry involves what happened on the Transocean drill rig. There are pressure monitors on the rig that feed information constantly to the drill operators. And there are panels on the rig that control the operations of the blowout preventer and the drill string. We'll be examining what the drill operators knew and what decisions they made.

In the rest of my statement I'll discuss what we've learned about these two areas of the inquiry. Our third area of inquiry involves the blowout preventer, which is also called the BOP. This is supposed to be the last line of defense against a blowout of the well. But it failed.

We have learned a lot about the blowout preventer. And Chairman Stupak will summarize this part of our investigation.

The final area of inquiry involves the response of B.P. and other companies to the spill. They promised to contain any spill, but they're not succeeding. Chairman Markey, who chairs our Energy Subcommittee and the Select Committee on Energy Independence, will cover this area of our inquiry in his opening statement.

We recently received a document from B.P. called, "What We Know." It was prepared on May 6th. And it summarizes what B.P. knew about the spill at that time. And I want to focus on the first four bullets. I also ask unanimous consent, Mr. Chairman, that this document and other documents cited during this hearing be made part of the official hearing record.

STUPAK: Without objection, so be it.

WAXMAN: The first bullet says, quote, "Before, during or after the cement job an undetected influx of hydrocarbons entered the well bore," end quote. What this means is that there was a breach somewhere in the well integrity that allowed methane gas and possibly other hydrocarbons to enter the well.

The second bullet says, "A 9 7/8 inch casing was tested. The 9 7/8 casing hanger packoff was set and tested. And the entire system was tested," end quote. B.P. explained to us that this refers to a positive pressure test in the well. What this means is if fluids were injected in the well to increase the pressure and to monitor whether the well would retain its integrity. The well passed this test.

Rigs like deep water Horizon keep a daily drilling report. And Transocean has given us the report for April 20th, the day of the explosion. It's an incomplete log because it ends at 3:00 in the afternoon, about seven hours before the explosion. But it confirms that the three positive pressure tests were conducted in the morning to the early afternoon.

The next bullet says, quote, "After 16 and-a-half hours waiting on cement, a test was performed on the well bore below the blowout preventer," end quote. B.P. explained to us what this means.

Halliburton completed cementing the well at 12:35 a.m. on April 20. And after giving the cement time to set, a negative pressure test was conducted around 5 p.m. This is an important test. During a negative pressure test, the fluid pressure inside the well is reduced and the well is observed to see whether any gas leaks into the well through the cement of casings.

According to James Dupree, the B.P. senior vice president for the Gulf of Mexico, the well did not pass this test. Mr. Dupree told committee staff on Monday that since test results was not satisfactory and inconclusive, significant pressure discrepancies were recorded. As a result, another negative pressure test was conducted. This is described in the fourth bullet.

During this test, 1,400 PSI was observed on the drill pipe while 0 PSI was observed on the kill and the choke lines. According to Mr. Dupree, this is also an unsatisfactory test result. The kill and choke lines run from the drill rig 5,000 feet to the blowout preventer at the sea floor. The drill pipe runs from the drill rig through the blowout preventer deep into the well.

In the test the pressures measured at any point from the drill rig to the blowout preventer should be the same in all three lines. But what the test showed was that the pressures in the drill pipe were significantly higher. Mr. Dupree explained that the result could signal that an influx of gas was causing pressure to mount inside the well bore.

Another document provided by B.P. to the committee is labeled, "What Could Have Happened." It was prepared by B.P. on April 26th, 10 days before the first document. And according to B.P., it's their understanding of the cause of the spill has evolved considerably since April 26th, so this document should not be considered definitive.

But it also describes the two negative pressure tests and the pressure discrepancies that were recorded. What happened next is murky. Mr. Dupree told the committee staff that he believed the well blew moments after the second pressure test. But lawyers for B.P. contacted the committee yesterday and provided a different account.

According to B.P.'s counsel, further investigation has revealed that additional pressure tests were taken and at 8 p.m., company officials determined that the additional results justified ending the test and proceeding with well operations. This confusion among B.P. officials appears to echo confusion on the rig.

Information reviewed by the committee describes an internal debate between Transocean and B.P. personnel about how to proceed. What we do know is that shortly before 10 p.m. just two hours after well operations apparently resumed, gas surged from the well up the riser, and the rig exploded in a fireball.

This hearing and future hearings the committee will conduct in the coming weeks will explore these questions. Our goal is to learn what caused the fatal explosion so that Congress and the executive branch can act to prevent future disasters.

But as we focus on these narrow questions on what happened and why, we also need to keep the broader perspective in mind. Our national energy policy is broken, and nothing illustrates this better than this massive spill.

Our dependence on oil and other fossil fuels is fouling our beaches, polluting our atmosphere and undermining our national security. One lesson is already apparent from the catastrophe in the Gulf. We need an energy policy that emphasizes clean, renewable sources of energy.

Now, we can't snap our fingers and transform our energy economy overnight. If we do not have the courage to take on the oil companies and take decisive steps to reduce our over-reliance on oil when the consequences of doing nothing are so clear, we may never start down the path toward a clean energy economy.

Mr. Chairman, I look forward to today's hearing.

And I thank the witnesses for appearing and for their cooperation in the investigation.

STUPAK: Thank you, Mr. Chairman.

Next, I'll go to Mr. Barton, ranking member of the full committee, for an opening statement. Your opening statement, please?

BARTON: Thank you. Thank you, Chairman Stupak. I'm going to submit my -- my written statement for the record and -- and speak extemporaneously, because I think, based on what Chairman Waxman just said, we need to kind of set the parameters.

There is nobody on either side of the aisle in this subcommittee or the full committee that doesn't want to get the facts on the table about what happened down in the Gulf of Mexico approximately a month ago, why it happened, what can be done to prevent it happening in the future, and remediate any damages, both human and environmental.

The 11 people that lost their lives is the primary tragedy. The fact that 5,000 barrels a day of oil is -- is spilling out of the -- of the well and -- and coming to the surface and beginning to wash up on some of the beaches in Louisiana and Alabama is a problem, but it is a problem that can be remediated.

I want to focus on some of the things that Chairman Waxman said right at the end of his statement when he made the comment that, if we can't take on the oil industry -- as if this was some sort of an adversarial situation between the people and the industry. Nothing could be further from the truth.

The United States of America is the greatest nation in the world because we're based on the premise of freedom for every individual in this country. That freedom is enunciated in the Declaration of Independence. Our founding fathers had the foresight and the wisdom -- and so far, our political leadership the last 200 years -- and said the best way to protect our freedoms is to provide maximum economic opportunity through a free-market capitalistic system.

We are one of the few nations in the world that have let the private sector develop our natural resource base. That has given us the most productive economy, the largest economy -- literally, the United States economy by itself is approximately a third of the total world's gross product.

That is not a consequence of government. It is a consequence of free men and women exercising free choices to maximize their opportunity and in so doing create economic opportunity for everybody in the world. We're in a situation now where if we're going to have additional domestic energy production in a way that maintains our existing lifestyle, it is going to be because we develop our natural resource base both onshore and offshore.

I have absolutely no problem with -- with -- with the alternative energy sources, whether it be solar, wind, ethanol, hydro, you name it. But there's a reason that we're an oil-based economy. It's because that barrel of oil refined into all the products that flow from it have a tremendous, tremendous productivity potential.

You can take a gallon of gasoline and you can power a 4,000-pound car with four adults in it at 60 miles an hour in air-conditioned comfort down the highway all the way from New York City to Los Angeles, California.

Now, we do not want on either side of the aisle to have people have to import more and more foreign oil. Whether we like it or not, the only real place to find significant additional oil deposits in meaningful quantities is in the Outer Continental Shelf.

Now, we've had an accident. It is not an act of God. The amount of -- of pressure, the amount of gas and oil that came up that borehole is something that was foreseeable. It is something that could have been and should have been contained. The blowout prevention equipment that was on that rig had a design capacity that should have controlled that explosion. It didn't.

The facts that we have uncovered in this investigation through the documents that have been provided show that there was, in all probability, shoddy maintenance, there were mislabeled components, the diagrams didn't depict the actual equipment. But that was not an act of God like a hurricane or an earthquake or a volcano that man can't control.

Now, through the efforts of this subcommittee and the full committee and some of the other committees, we'll get to the bottom of it. We'll find out the facts, and we'll take corrective measures to prevent that from happening in the future, whether it's legislatively or regulatorily or through best practices changes by the industry.

But what we should not do, Mr. Chairman, is make a decision to fence off the Outer Continental Shelf, to use this as the equivalent of the Three Mile Island accident for nuclear power and set back domestic oil and gas production in the Outer Continental Shelf for the next 20 or 30 years. That would not only be a mistake, in my opinion; it would be a disservice to the American people.

So I don't want to take on the industry. I want to work with the industry. I want to work with the Congress. I want to find out what the problem was. I want to solve that problem, and I want to move forward.

I don't want the United States of America to continue to import 12 million to 14 million barrels of oil a day. That one well in the gulf, although British Petroleum has not been explicit, that one well probably has the potential to produce 50,000 barrels of oil a day.

To put that in perspective, there are a million oil wells producing -- onshore in Texas producing 200,000 -- producing a million barrels of oil. That's five barrels a day per well in Texas. This one well -- this one well is the equivalent to 10,000 oil wells in Texas. That one well in full production is 1 percent to 2 percent of the production capacity existing in the Gulf of Mexico today.

Mr. Chairman, we can't fence that off. We can correct the problem. We can prevent the problem. We can try to change the technology. But do not use this hearing, use this -- use this accident as

an excuse to take away from the American people the -- probably the biggest domestic energy resource we yet have to develop on the North American continent.

With that, Mr. Chairman, I yield back the balance of my time, and I look forward to hearing from the witnesses.

STUPAK: Thank you, Mr. Barton.

I'll do my opening statement now.

Three years ago, almost to the day, this subcommittee held a hearing into British Petroleum's disasters at Texas City and on the north slope of Alaska. The 2005 Texas City refinery explosion resulted in the death of 15 workers and injured more than 170 people.

As a result of that accident and B.P.'s failure to correct potential hazards faced by employees at Texas City, OSHA has twice slapped B.P. with record-setting fines totaling more than \$100 million. Several reports criticized management at the Texas City facility, including B.P.'s own 2007 Report of the Management Accountability Project, which stated, and I quote, "A culture that evolved over the years seemed to ignore risk, tolerated non-compliance, and accepted incompetence," end of quote.

In March of 2006, B.P. discovered their pipeline on Alaska's North Shore -- North Slope -- excuse me -- North Slope had spilled more than 200,000 gallons of oil on the tundra, making it the largest spill in North Slope history. Our hearings discovered that significant cost-cutting measures resulted in decreased maintenance and inspections of the pipeline, and B.P.'s management culture deterred individuals from raising safety concerns.

Since our last hearing, B.P. has experienced continual problems on the North Slope. September 29, 2008, an eight-inch high-pressure gas line at the Y-Pad location separated, sending three pieces of pipe to the tundra. One segment of the pipe landed 900 feet from the pipeline. Roughly 30 minutes later, a second and unrelated incident occurred on the S-Pad, where there was a gas release.

January 15, 2009, a disc cleaning pig became lodged and lost in a 34-inch oil transit line during de-oiling, allowing gas to pass around the pig and travel through Skid 50, to pump station number one, causing a significant venting of gas into the atmosphere and the complete shutdown of the Trans-Alaska Pipeline. October 10, 2009, at the central compressor plant, low-pressure flare staging valves were stuck closed, causing gas to travel to the backup low pressure flare valves, which activated, caused the gas to vent to the atmosphere, which could have caused an explosion.

November 28, 2009, an 18-inch three-phase common line near the Lisburne production center carrying a mixture of crude oil, produced water and natural gas ruptured, spraying its contents over an estimated 8,400 square feet.

In addition to these pipeline incidents, there have been several personal injury accidents where employees have been seriously injured or killed, as was the tragic case of Mike Phalen on November 18th when he was crushed between the pipeline and a truck.

Today we're here to investigate the latest B.P. tragedy, one which has resulted in the loss of 11 lives and is well on its way to becoming one of the largest oil spills in our nation's history.

Let me take a moment on behalf of the entire committee to convey our deepest sympathies to the family, friends and coworkers of those 11 individuals lost on that fateful day.

On April 20th, an explosion and fire occurred on the Deepwater Horizon drilling rig which B.P. was leasing to drill an exploratory well in the Gulf of Mexico. The rig was owned and operated by Transocean, the world's largest offshore drilling company, and was under contract from B.P.

On April 22nd, the rig capsized and sank to the floor of the ocean, resulting in oil leaks from three separate locations among the twisted wreckage.

The world is wondering: What went wrong to allow explosive gas to shoot out of the drill pipe on the Deepwater Horizon causing the explosion? We heard Chairman Waxman discuss theories of what may have gone wrong in the well and what went wrong on the rig.

I'd like to take a few minutes to discuss issues related to the blowout preventer, a BOP, which was the "failsafe system" to cut off the flow of oil and gas to the rig.

In his testimony today, Mr. Lamar McKay, the president of B.P. America, says that blowout preventers are, and I quote, "intended to be fail safe," end of quote. But that didn't happen. The blowout preventer used by the Deepwater Horizon rig failed to stop the flow of gas and oil, the rig exploded, and an enormous oil spill is now threatening the Gulf Coast.

We know that the blowout preventer, the BOP, did not properly engage. The BOP has multiple rams that are supposed to slam shut to pinch off any flow around the drill pipe and stop the flow of oil from the well. There are also shear rams in the BOP that are supposed to cut and seal the pipe to prevent oil and gas from flowing. The question we will ask is, why did these rams fail? Our investigation is at its early stages, but already we've uncovered at least four significant problems with the blowout preventer used on the Deepwater Horizon drill rig.

First, the blowout preventer had a significant leak in a key hydraulic system. This leak was found in the hydraulic system that provides emergency power to the shear -- to the shear rams, which are the devices that are supposed to cut the drill pipe and seal the well.

I'd like to put on the screen a document that the committee received from B.P. This document states, "Leaks have been discovered in the BOP hydraulics system."

The blowout preventer was manufactured by Cameron. We asked a senior official at Cameron what he knew about these leaks. He told us, when the remote operating vehicles tried to operate the shear rams, they noticed a loss of pressure. They investigated this by injecting dye into the hydraulic fuel, which showed a large leak coming from a loose fitting, which was backed off several turns.

The Cameron official told us that he did not believe the leak was caused by a blowout because every other fitting on the system was tight.

We also asked about the significance of the leak. The Cameron official said it was one of -- one of several possible failure modes. If the leak deprived the shear rams of sufficient power, they might not succeed in cutting through the drill pipe and sealing the well.

Second, we learned that the blowout preventer had been modified in unexpected ways. One of these modifications was potentially significant. The blowout preventer has an underwater control panel. B.P. spent a day trying to use this control panel to activate a variable bore ram on the blowout preventer that is designed to seal tight around any pipe in the well, in other words, pinch off the flow of oil.

When they investigated why their attempts failed to activate the bore ram, they learned that the device had been modified. A useless test ram -- not the variable bore ram -- had been connected to the socket that was supposed to activate the variable bore ram. An entire day's worth of precious time had been spent engaging rams that closed the wrong way because it was wired wrong.

B.P. told us the modifications on the BOP were extensive. After the accident, they asked Transocean for drawings of the blowout preventer. Because of the modification, the drawings they received did not match the structure on the sea floor. B.P. said they wasted many hours trying to figure this out.

Third, we learned that the blowout preventer is not powerful enough to cut through joints in the drill pipe. We found a Transocean document that I'd like to put on the screen, and it says most blind shear rams are "designed to shear effectively only on the body of the drill pipe. Procedures for the use of BSRs must therefore ensure that there is no tool joint opposite the ram prior to shearing." STUPAK: This seemed astounding to us because the threaded joints between the sections of drill pipe make up about 10 percent of the length of the pipe. If the shear rams cannot cut through the joints, that would mean the so-called failsafe device would succeed in cutting the drill pipe only 90 percent of the time.

We asked the Cameron official about the cutting capacity of the blowout preventer on the Deepwater Horizon. He confirmed that it is not powerful enough to cut through the joints in the drill pipe. He told us that this was another possible explanation for the failure of the blowout preventer to seal the well.

And fourth, we learned that the emergency controls on the blowout preventer may have failed. A blowout preventer has two emergency controls. One is called the emergency disconnect system, or EDS. BP told us that the EDS was activated on the drill rig before the rig was evacuated, but the Cameron official said they doubted the signals ever reached the blowout preventer on the seabed.

Cameron officials believe the explosion on the rig destroyed the communications link to the blowout preventer before the emergency sequence could be completed. In other words the emergency controls may have failed because the explosion that caused the emergency also disabled communications to the blowout preventer.

Still, the blowout preventer has a dead man's switch, which is supposed to activate the blowout preventer when all else fails. But according to Cameron, there were multiple scenarios that could have caused the dead man's switch not to activate. One is human oversight. The dead man's switch may not have been enabled prior to installing the BOP on the ocean floor.

One is a lack of maintenance. The dead man's switch won't work if the batteries are dead. The dead man's switch is connected to two separate control pods on the blowout preventer. Both rely on battery power to operate. When one of the control pods was removed and inspected after the

spill began, the battery was found to be dead. The battery in the other pod has still not yet been inspected.

There also appears to be a design problem. The dead man's switch activates only when three separate lines that connect the rig to the blowout preventer are all severed -- the communication, power and hydraulic lines. Cameron believes the power and communication lines were severed in the explosion, but it is possible the hydraulic lines remained intact, which would have stopped the dead man's switch from activating. These are not the only failure scenarios that could impair the function of the blowout preventer. The Cameron official we met with described many other potential problems that could have prevented the blowout preventer from functioning properly. Steel casings or casing hanger could have been ejected from the well and blocked the operations of the rams. The drill pipe could have been severed successfully, but then dropped -- but then dropped from the rig, breaking the seal.

Or operators on the rig could have tried to activate the shear rams by pushing the shear ram control button. This would have initiated an attempt to close the rams, but it would not have been successful. The shear rams do not have enough power to cut drill pipes unless they are activated through the emergency switch or the dead man's switch.

In fact, we uncovered an astonishing document that Transocean prepared in 2001 when it bought the blowout preventer from Cameron. I'd like to display the executive summary of this document. It says there are 260 separate failure modes that could require pulling of the BOP. According to this report, the predominant failures included ram blocking mechanisms. How can a -- how can a device that has 260 failure modes be considered failsafe?

The problems with the blowout preventer extend to the procedures for testing the device. CEO of Transocean -- CEO of Transocean Steven Newman says in his testimony, and I quote, "We had no reason to believe that they were not operational. They were jointly tested by BP and Transocean personnel as specified on April 10th and 17th found to be functional."

This assertion seems to be contradicted by a document prepared by BP on April 27th, one week after the explosion. According to this document, and I quote, "The blown out protector stack emergency systems are not typically tested once the BOP stack is on the seabed." What this means is that while some functions of the BOP may have been tested in the weeks before the explosion, the emergency systems, including the dead man's switch and the leaking emergency hydraulic system, were unlikely to have been tested.

After the Alaska pipeline and Texas refinery disasters, BP promised to make safety its number one priority. This hearing will raise questions about whether BP and its partners fulfilled this commitment. The safety of its entire operations rested on the performance of a leaking, modified, defective blowout preventer.

This is the first of what will certainly be multiple hearings into this disaster. I look forward to a frank and spirited discussion with our witnesses today. I ask unanimous consent the documents I referred to be entered in the record.

I next turn to Mr. Burgess, the ranking member of the subcommittee, for an opening statement, please?

BURGESS: Thank you, Chairman. And thank you for convening this important hearing. The Deepwater Horizon events obviously represent a shocking tragedy. Eleven lives were lost, and we

all regret that. Environmental and economic harm continues to the area, and we don't know what caused the disaster. But it is apparent that there was a failure, and now this committee and indeed the American people want answers, and they want accountability.

This hearing is preliminary. It's a necessary step in getting the answers and get into that accountability. That's why I support the efforts of the committee to move rapidly on this investigation. What caused the blowout and the explosion, the failure of the various emergency safeguards on the seafloor, and the immediate response to stem the oil spill deserve our close and thorough scrutiny.

Unfortunately, today's hearing and the committee's investigation is what one might call asymmetric oversight. The committee has demanded and obtained thousands and thousands and thousands of pages of documents and testimony from the four companies represented today, but we've obtained virtually nothing from those federal agencies that were responsible for the licensing and oversight of these operations -- nothing from the Obama administration, who presumably has already had discussions with likely many of you as to what went wrong and what might be done to mitigate the problem, but no documents, no testimony from the administration or from any of the relevant federal agencies.

With the benefit of additional interviews and document review, we should have included an examination of other factors in the incident, including the role of inspections, including the role of federal inspections and oversight of drilling operations, practices and technology, and indeed the licensing of same.

The federal role would appear to be an integral part of our story. We should have heard from the secretary of the interior today, and as Ranking Member Barton and I have respectfully requested, Mr. Stupak, of you and Chairman Waxman, and -- and we would like for that hearing to, since it's not occurring today, to occur in the near future.

We will hear from others in the administration and other officials under oath in the near future, and I think it is mandatory that this committee do that. We should have representatives from the Department of Interior and from Bureau of Management Services here to explain why in March of 2009 in the initial exploration plan for the Deepwater Horizon a blowout scenario was not contemplated by BP and why therefore the site-specific oil spill response plan was in fact not even required by regulators.

I would also emphasize the subcommittee should resist the temptation to push ahead on the facts and to lose their perspective that drilling and production operations are not experimental forays into the deep ocean with untested technology. For over 50 years these have been well-engineered and well-planned operations, and until this tragedy, there was a remarkably good record for overall Gulf oil production.

The Gulf produces about 1.7 million barrels of oil per day, 6.5 billion cubic feet of natural gas, about one-third of the total United States daily supply, on 3,500 platforms employing 35,000 workers. In recent years the bulk of new production has come from deep sea operations with scores of exploratory and production wells developed at depths equal to or substantially greater than the 5,000-foot depth of the Deepwater Horizon, all without serious incidents.

In point of fact, this is the first bill of magnitude in the Gulf waters. This is not to minimize the disaster we confront today. Eleven lives were lost. Four million gallons of oil have been released

into a very fragile ecosystem, an ecosystem that has likely over 7,000 miles of actual ocean frontage on the coast of Louisiana.

This past Friday I went to the Gulf with members of the subcommittee, Chairman Markey and Ranking Member Barton to learn firsthand about the recovery operations that were going on. And the magnitude of the problem that the people in the Gulf face from what we saw flying over the spill really cannot be captured in news photos. The oil slick looks to be the size of Montana. It reinforces why it is absolutely critical that we ensure that responders have what they need to control and mitigate the spill. And for the future's sake, we must identify what caused the spill.

Our visit also reinforced how critical the timing was in the incident and the immediate response to the blowout. We understand that the initial failure of the blowout preventer was critical to the lack of containment of the spill. And if it worked as it was designed, or worked in a timely fashion in those initial hours or days after the blowout, we might be having a hearing that was focused on entirely different problems today.

What the blowout and subsequent failure of the blowout preventer tells us about the process and operations we actually don't yet know, but it may reveal issues of mechanical failure, systems failure, human error, or a combination of the three. What we hope we do not find is that corners were needlessly cut in order to save time and money, because ultimately now time and money are what are at risk.

Potential issues with material integrity or procedures in the construction of the well may provide a clue to how an apparently unexpected gas release occurred in the first place. All such issues may eliminate areas that better need operational oversight by the well's producers, the industry and, again, those charged with the regulation of same, which is why a hearing like this, which is asymmetric in its construct -- it's why it is inadequate to really address the problem.

I do look forward to hearing the testimony from our key witnesses in the incident, British Petroleum, the operator of the well; Transocean, the driller and rig owner; Halliburton, the provider of various services, including the critical cementing; and Cameron, which manufactured the blowout preventer at the center of the current efforts to stop the flow of oil.

But the regulators have failed. A litany of questions need to be asked and must be asked of those inspectors at Department of Interior and Mineral Management Services. For what it's worth, I want to welcome the witnesses to our committee. I understand you've been going through a very difficult schedule amidst what is undoubtedly an enormous tragedy within your -- within your businesses, and I appreciate your willingness to come forward and discuss what you know with the subcommittee.

Time is going to be critical today. You've all been through a day of Senate hearings, and some of the testimony that's come forward has been predictable, but some of it has been contradictory and troubling in the testimony that we heard yesterday in the Senate. And I'm hopeful that maybe we can clear up some of these discrepancies and that you'll in fact address them in your opening statements to us today.

At the hearings yesterday, Mr. McKay, you testified that the modifications that were made to the blowout preventer and that the claims that your company, BP, was not aware of those.

And, Mr. Newman, you testified that Transocean made the modifications in 2005 at BP's request and at BP's expense.

So, Mr. McKay, in your opening please tell us is this true. Did BP in fact request and pay for these modifications? And if so, would not BP have some documentation of this? And if that is the case, why are we hearing from our staff that -- that BP was shocked to hear about the modifications?

And to Mr. Newman, tell us in your opening what modifications did you do? Did Transocean fully inform BP of everything it did to the blowout protector? Do you have documents to back yourself up? Did you inform BP about any labeling discrepancy in the device itself? We need to cut through some of those contradictions and -- and become aware of the facts.

And then finally, Mr. Chairman, let me just go back to the issue of who's not here today. In the public information, the publicly released document, which is the application for the drilling of the Deepwater Horizon, there are some serious questions. There are some serious red flags, and I would very much like to have Secretary Salazar here. I would very much like to have Mineral Management Services here.

Section 2.0, General Information, 2.7 Blowout Scenario -- a scenario for a blowout, a potential blowout of the well from which BP would expect to have the highest volume of liquid hydrocarbons is not required for the operations proposed in this exploration potential.

Well, wait a minute. That's one thing for BP to say that, but why did the federal regulators just simply rubberstamp this when it was pushed across their desk? You have a well that had the potential to produce 100,000 barrels of oil a day, and we're now shocked that 5,000 barrels a day are escaping and we've got no plan for mitigation?

The state of Louisiana is scrambling for boom material to protect its fragile coastline. We didn't have anything stockpiled ahead of time. BURGESS: We had to move equipment in and drill a 90-day relief well because that's the only way to stop this thing? It just seems like more care should have been delivered up front.

And, yes, while I may criticize the companies that are here in front of us today, I've also got serious questions that this committee needs to ask of the federal agency that was charged with the oversight. When I get to the questions, there are many other statements in this application that are -- that are just as troubling.

An offshore coastal dispersion modeling report for the proposed operations is not required for the operations. You could lose control of a 100,000-barrel-a-day production well, and you don't have to have a modeling report for offshore coastal dispersion? It goes on and on.

And, again, I don't necessarily fault the company for perhaps trying to save a buck on the application, but the federal agency responsible for this that simply stamped it received and approved, that's where the problem exists in my mind.

Last Friday, we were down on the Gulf Coast. The Times-Picayune had an extensive article on -- on what happened on the rig that day. They talk about the removal of the drilling mud prematurely. I hope somebody at some point will address that, that the drilling mud was removed and replaced with seawater before the second cement plug was placed, and subsequent to that was when the blowout occurred.

Was there, in fact, some haste in getting this done? Did we depart from best practices? Or is that standard practice now and something that maybe needs to be -- maybe needs to be revisited on other wells that are being drilled at the time?

And then, finally, this morning's Washington Post, just a stunning -- a stunning paragraph from a columnist, where Mr. McKay points out, "Our operating management system in the Gulf of Mexico is as good as anyone. I can't point to any deficiencies." Well, maybe that was true in March, but it's certainly not true in May.

Thank you, Mr. Chairman, for your indulgence. I'll yield back the balance of my time.

STUPAK: Thank you, Mr. Burgess.

Next I'd turn to Mr. Markey, chairman of the Energy Subcommittee and Select Committee on Energy Independence for an opening statement, please. MARKEY: Thank you, Mr. Chairman.

To be honest, it's hard to have confidence in B.P. When B.P. applied for the right to drill in this lease, they called the chance of a major spill "unlikely." When the accident initially happened, they said it was "manageable." And last week, when B.P. and the other companies appeared before this committee, they said they never thought the rig could sink.

Right now, by their own admission, B.P. is largely making it up as they go. They're engaging in a series of elaborate and risky science experiments at the bottom of the ocean.

And after the failure of the containment dome, we are now hearing of plans to stuff the blowout preventer full of a mixture of golf balls, old tires, and other junk. When we heard the best minds were on the case, we expected MIT and not the PGA. We already have one hole in the ground, and now their solution is to shoot a hole-in-one.

We expected a lot more sophistication when it came to dealing with something of this magnitude.

I think a root cause for this accident is the "drill, baby, drill" booster-ism. There was oil industry booster-ism that minimized potential hazards. There was a booster-ism on the part of the previous administration that got rid of protections that they viewed as obstacles to increased drilling. Now we see the results. Booster-ism led to complacency, and complacency led to disaster. And this is a disaster.

But it was not inevitable. It was preventable. And now we must enact preventions, protections that prevent similar catastrophes in the future.

As the result of the B.P. Deepwater Horizon disaster, lives have been lost, livelihoods have been threatened, and a huge ocean and coastal ecosystem has been endangered. We have a duty and obligation to find out what happened here, why it happened, who was responsible, and how we can ensure that it never happens again.

Thank you, Mr. Chairman.

STUPAK: Thank you, Mr. Chairman.

Mr. Sullivan for an opening statement, three minutes, please?

SULLIVAN: Thank you, Mr. Chairman.

I want to thank our witnesses here today. I know you're going through some challenging times right now, and I appreciate you being here.

Chairman Stupak, thank you for holding this hearing today, examining the causes of the Deepwater Horizon Gulf Coast oil spill. While the exact cause of this terrible tragedy is still being investigated, I'm interested in learning from our witnesses their thoughts on what went wrong and their ideas moving forward to prevent this from ever happening again.

On April 20, 2010, a fire and explosion occurred on the Deepwater Horizon oil-drilling rig in the Gulf of Mexico, unfortunately killing 11 of the 126-person crew and injuring many others. My thoughts and prayers are with all the affected families.

The spill has the potential to be a massive ecological catastrophe, as nearly 4 million gallons of oil have already spilled into the gulf since the accident. I commend the brave men and women who are working day and night to stop the leak and protect the shoreline in the gulf region.

This is a challenge of epic proportions, and it is the job of this committee to conduct a fact-based investigation into the disaster to find out what went wrong and how we can prevent it from ever happening again.

However, I'm disappointed that no one from the Obama administration is here to testify on the Department of Interior's role in response to the accident.

Given the integral role of federal oversight in offshore drilling operations, it is critically important to hear the administration's point of view and to get their take on what safety lapses occurred and if any regulatory breakdowns happened at the Minerals Management Services that may have contributed to this terrible accident.

During this hearing and the continuing investigation, it is important that we do not lose sight of the fact that 30 percent of the total U.S. production of crude oil comes from offshore. While some may want to stop drilling offshore all together, this would be a terrible mistake. If we were to ban or restrict offshore drilling, we would simply increase our national dependence on foreign oil, which makes our nation less secure in the short and long term and increases the cost of energy.

We should not use this tragedy -- we should not use this tragedy as an excuse to roll back the gains we have made in finding -- in finding new ways to develop our own energy resources, as we will need more oil and natural gas to help meet the growing demand for energy in the coming decades.

We still have to work to -- we still have work to do to uncover exactly what went wrong. There are many questions that will be asked today on ongoing efforts to contain the leak, whether there are potential or operational irregularities that played a part in the accident and what we can learn from this tragedy going forward.

I look forward to getting to the bottom of this tragedy, and I yield back the balance of my time.

STUPAK: Thank you, Mr. Sullivan.

Mr. Dingell for an opening statement, please, sir?

DINGELL: Thank you, Mr. Chairman, and thank you for holding this important hearing today.

The Obama administration has proposed expanding offshore oil and natural gas drilling in a way that complies with all of our environmental and safety laws, and I support expanded offshore drilling if it is done right, and if the permitting is done according to law, and if the law, in fact, does work.

However, these rigs go further and further from shore, and it becomes then critically important that we understand what happened to the Deepwater Horizon rig and well, as well as what additional precautions we need to take to prevent something like this from happening again.

Now, this is not B.P.'s first time appearing before the Energy and Commerce Oversight Subcommittee. The members of this committee will recall that in 2007 a hearing regarding corrosion in the pipeline leading up to the Alaska pipeline, which led to 1 million liters of oil leaked into Alaska's North Shore.

At that time, I observed that B.P. workers were often forced to forego safety measures to save money and to ultimately increase B.P. profits. And yet these safety programs in many cases appear to have been halted or cut due to budgetary reasons. This is the cost of what we've learned about the way that B.P. managed Prudhoe Bay.

Until B.P. finally acknowledges the role of cost-cutting and budget pressures played in creating this mess, I fear that other problems like this may be incurred at other B.P. facilities through the United States.

The North Slope disaster is unfortunately one example of B.P.'s being before this subcommittee. We also investigated B.P.'s Texas City operations. Back in 2007, B.P. and its subsidiaries agreed to pay \$50 million in criminal fines because of the 2005 explosions at its Texas City refinery. I note with irony and some dismay, this fine is equal to less than a day's corporate profits.

And here we are again. This time, like the explosions at B.P.'s Texas City refinery, we not only have an environmental disaster, but again we've confronted tragic loss of lives.

A little more than a year ago, in April 2009, the Minerals Management Service exempted B.P.'s lease at Deepwater Horizon from an environmental impact statement as required by the National Environmental Policy Act. B.P. called the prospect of an oil spill "unlikely" and stated that no mitigation members -- measures other than those required by regulation and B.P. will be employed to avoid, diminish or eliminate potential impacts on environmental resources.

This, Mr. Chairman, is, quite frankly, outrageous. NEPA has been the law of the land for a long time, and for good reason. I happen to know that because I wrote the legislation.

Now, I sincerely hope that, when this investigation is completed, that we don't find that B.P. again once tried to cut costs at the expense of safety. Given their history, I am somewhat skeptical that that will be the conclusion, but I am hopeful, even though I have a pocket full of promises given to me by B.P. during the time that we had them before this committee that they would do better and that there was a new regime going on there that was aware of the environmental concerns of the nation and the duties of that organization.

And I do think, Mr. Chairman, that we need to hear from the administration, because we have not heard from them about why this was handled the way it was, failures of the leasing services and failures to properly implement NEPA.

Now, we all know Gulf Coast is one of the most environmentally sensitive areas in the country. Four hundred species of rare birds, waterfowls, and sea turtles are at serious risk. Coastal wetlands are a fragile ecosystem that deserves protection and doesn't appear to be having it.

Since B.P.'s effort to get the containment dome into place didn't work, the company is now going to use golf balls, knots of rope, and materials of miscellaneous character to try and plug the hole. If it works, great. It strikes me, though, as odd that, with all the technology we have, golf balls are our best hope.

I look forward to hearing more about this and efforts to stop the leaking in the gulf. I look forward to the answers of our witnesses. I hope that we will hear from the government about why they were so generous in allowing this to go forward without full application of all the laws of the United States.

Thank you, Mr. Chairman.

STUPAK: Thank you, Mr. Dingell.

Mr. Gingrey for an opening statement, please, three minutes?

GINGREY: Mr. Chairman, thank you. And I've got a written statement. I'd like to ask unanimous consent to submit it for the record...

STUPAK: Without objection.

GINGREY: ... and to talk extemporaneously. Going back to what the chairman just said, I think his wisdom always comes through, and his remarks really strike a balance in regard to the concern over what the industry's culpability is and also to bring forth as our ranking member of the subcommittee, Dr. Burgess, pointed out that we need to hear from the administration, we need to hear from the Department of Interior, we need to hear from Minerals Management Services.

And, you know, I can't help but wonder, as I listen to this hearing and the opening statements of the members, that -- what is our intent here, really? We're using up a tremendous amount of time already on the majority side, something like 30 minutes of opening statements, and we'll go on and on and on, and probably give each of the witnesses five minutes. And -- and the information we have about the blowout preventer and all these different things at the bottom of the sea, those of us who may have a technical background, but not in petroleum engineering, we've been fed information from our staff, but we really need to hear from these experts.

And I listened to some of the Senate hearing yesterday, Mr. Chairman. And it -- when Mr. Waxman, the chairman of the full committee, says about B.P. oil, they don't bear the full cost when something goes wrong, I think we're going to hear from Mr. McKay that, indeed, they will and do and plan to bear the full cost when something goes wrong.

I'm not defending anybody here. I just want to learn the facts -- the actual facts, fair and balanced, in regard to the criticism of -- of some of the attempts to -- to plug the leak that was commented

by a Senate majority member yesterday in that hearing, that it seems like these guys, B.P. oil in particular, is just making it up as they go along.

Yes, hey, sounds analogy to what our majority party and administration is doing in regard to the economic meltdown of this country, kind of making it up as they go along. And so far, our unemployment rate has gone from 7.6 percent to almost 10 percent, and we still have 16 million people out of work, despite a trillion-dollar economic stimulus package.

GINGREY: So, you know, I think we need to be fair and balanced here. And I certainly look forward to the testimony of the witnesses. And, yes, we're going to ask them tough questions. Eleven lives were lost, and the ecosystem and the economy of the Gulf Coast is at risk. And this is a very important hearing.

But let's -- let's just don't, you know, put on our makeup and have our hair done and-- and pander before the C-SPAN cameras. Let's get the facts right. That's, after all, why we're here.

And with that, Mr. Chairman, I yield back.

STUPAK: Thank you, Mr. Gingrey.

Mr. Braley for an opening statement, please?

BRALEY: Thank you, Mr. Chairman. This is indeed a very important hearing. And I'll submit my formal remarks for the record and speak extemporaneously.

This hearing shows what happens when political chants of drill, baby, drill evolve into the tragic reality of spill, baby, spill. And for all of my colleagues on the other side who wish that there were representatives of the administration here today, I would remind them that there was a joint congressional briefing held on May 4th where representatives from Interior, Homeland Security, Coast Guard, Commerce, EPA, Minerals Management Services, NOAA and the National Oceans Services did appear, gave us extensive briefings and were there to answer questions to every member of Congress who chose to show up at that hearing.

Well, probably one of the most profound statements made at that briefing was by Commandant Admiral Thad Allan from the Coast Guard, who gave a tremendous overview of what was going on as part of the federal government's response. And he made this statement in describing what's happening. "This is closer to Apollo 13 than to the Exxon Valdez."

And, Mr. Chairman, I think that the fundamental issue of this hearing should be to try to figure out why that's the case because Apollo 13 happened 40 years ago, 240,000 miles away from the Earth with limited resources to try to solve the disaster that was occurring on that mission. That was 10 years into the manned space program.

And, Mr. Chairman Waxman, the first submerged oil wells in salt water were drilled under the Santa Barbara channel in California in 1896. So why is this more like Apollo 13 than the Exxon Valdez? Why were we not better prepared to deal with the enormous environmental and safety risks caused by this massive explosion?

Secretary Salazar said at that briefing, "This was supposed to be a fail-safe system." Obviously, it was not.

And the question for all of us is why not. So as we listen to the witnesses and hear the latest information they have to share with us, these are the questions I want answers to: How did this happen? Why did this happen? Who is responsible? Most importantly, what have we learned? What are we, Congress, going to do and what are we prepared to do to ensure this never happens again? And finally, who will bear the cost?

Because despite the assurances we received at that briefing from Secretary Salazar and others that B.P. has made repeated assurances to stand the full cost of this recovery, some of the actions that are taking place in response to this catastrophe would give us the indication otherwise. And that's why as we look at these serious issues, I look forward to the testimony of our witnesses and answering those questions.

And I yield back the balance of my time.

STUPAK: Thank you, Mr. Braley.

Mr. Griffith for an opening statement, please?

GRIFFITH: I'd like to thank the chairman and ranking member for calling this important hearing today and the witnesses for taking time to come before our subcommittee to discuss the deep water Horizon oil spill.

Before I begin, I would like to take a moment and offer my sincere condolences to the family and friends of those who lost their lives on the deep water Horizon. Please know that my thoughts and prayers are with you.

We cannot achieve energy independence without assuming some risk. Whether it's nuclear, coal, oil or natural gas, the process of harnessing energy is inherently risky.

Having said this, it is the role of the federal government and good corporate citizens to minimize this risk while working toward United States energy independence. Blocking future production will not protect America. It will simply cause us to be much more dependent on unfriendly sources of oil.

The oil and gas industry employs hundreds of thousands of Americans, many in my home state of Alabama. We must continue to drill and avoid knee-jerk reactions to this accident.

The oil and gas industry has a safety record that has been steadily improving over the years. And I have no doubt that what is learned from this incident will be incorporated into the future increase in safety. That being said, we must allow this investigation to go forward and ensure that Congress provide appropriate oversight. It is important to focus on not assuming -- assigning blame based on theories, but to allow the time to pass that is necessary for a thorough investigation. Once investigations are complete, it is vital that we learn lessons from this incident so that we can keep our workers and environment safe while continuing to produce our valuable oil and gas resources.

Again, thank you for coming today. And I look forward to your testimony.

I yield back the balance of my time, Mr. Chairman.

STUPAK: Thank you, Mr. Griffith.

Ms. DeGette for an opening statement, please?

DEGETTE: Thank you, Mr. Chairman.

As Congress debates the role of a forward-looking energy plan, we're going to need to see what -- what part drilling expansion plays in development of that plan. And we're going to need to see what the causes of this tragic accident were because given the scope of this disaster, we cannot afford to vastly expand offshore drilling in the future if this type of disaster can be expected to occur, even as some on the other side say, on a rare basis. The damage in terms of environment and loss of human life is simply too great.

Accidents on this scale raise innumerable questions about what went wrong. And usually, and probably in this case, there's no single answer or single point of blame. But as we attempt to determine the cause in order to prevent such tragedies in the future, two issues stand out in my mind. And the chairman raised both of them.

The first one is what role did the cementing job play in the accident. The timing of the accident indicates that the cementing was likely a culprit as the accident occurred soon after the cement was injected into the well.

This would not be the first time that cementing has caused problems in the Gulf of Mexico. According to a 2007 study by the Minerals Management Service, nearly half of all blowouts in the Gulf over the last 14 years are due to faulty cementing.

In addition, poor cementing has been identified as the cause of the recent 2009 blowout at an offshore oil platform in Australia. Cementing has been a cause for concern in onshore drilling as well with ground water contamination incidents tied to improper cementing in my home state of Colorado and elsewhere.

The second issue that this committee needs to probe further is the failure of the blowout preventer. This device is designed to be the fail-safe mechanism that will prevent tragedies such as this spill. Its failure is extremely troubling as it calls into question whether these devices can be trusted to function properly at offshore drilling locations.

I know that we won't be able to identify the root cause of the accident today and that the investigation is still in its early stages. But fingerpointing will not solve this problem.

It's in the interest of all of the witnesses to get to the bottom of this issue if they want to assure the American people that offshore drilling is a safe practice that we should actually expand farther. Frankly, I watched part of the hearing yesterday as well. And I was dismayed at the parsing of words by all parties yesterday in terms of liability and in terms of willingness to pay for these -- these tremendous costs.

And so, I think that those responsible need to step up. They need to bear the costs. And they need to fix this technology because if they don't, we will not have expansion of offshore drilling until this committee and the U.S. Congress can be assured that it can be done in a safe and an environmentally and -- and human -- and in a way to save human life way. Otherwise, it simply won't be part of our plan.

And -- and many of us don't object to offshore drilling. We support it where appropriate, but not if it cannot be done safely.

Thank you, Mr. Chairman.

STUPAK: Thank you, Ms. DeGette.

Mr. Latta for an opening statement, please -- three minutes?

LATTA: Thank you, Mr. Chairman, Ranking Member Burgess.

First and foremost, I also want to extend my heartfelt condolences to the families of those who have lost loved ones and those who have been injured. I'm also deeply saddened by the destruction caused by the recent oil spill in the Gulf.

I want to commend the thousands of dedicated workers, the volunteers, military personnel who are currently in the Gulf responding to the spill to protect the shoreline and wildlife. The cleanup process from this spill will take months, if not years.

As the marine board of investigation made up of the Mineral Management Service, MMS, and the Coast Guard convened yesterday to identify the factors leading to the explosion, loss of life, sinking and subsequent oil spill of the deep water Horizon, I look forward to what the investigation will render and what facts and recommendations will come forth.

It's my understanding, Mr. Chairman, that over 42,000 wells have been drilled in the Gulf of Mexico since 1979 when the first deep water well was first drilled in the Gulf. Sixty percent of all the wells drilled in the Gulf are now deep water wells. And over 2,200 deep water wells have been drilled.

As members of Congress, we must ensure that the United States continues its domestic energy production while also maintaining stringent environmental and safety regulations. We cannot become complacent when it comes to American lives and our natural resources.

We need to ensure that the investigation into the deep water Horizon oil spill is thorough and those responsible -- those individuals responsible for this disaster are held accountable. We cannot afford to have a repeat of this kind of a disaster.

As has already been noted, it is important to note that the oil and natural gas industry in America plays a vital role to our economy and supplies this country with millions of jobs. Most recent data, according to the American Petroleum Institute study, shows that this industry contributes more than a trillion dollars to the U.S. economy over a year.

Industry (ph) now contributes over 229,000 jobs through oil and natural gas industry. And it is also important to note that we maintain these jobs, but we also need to maintain the safety of our hard-working Americans who are employed in this industry.

As the ranking member has stated, I, too, would like to have witnesses from the Department of Interior, particularly the MMS and the United States Coast Guard. I hope that any future hearings in this committee on this subject will include government agencies that are at the forefront working on this issue.

Finally, Mr. Chairman, I look forward to hearing from today's four witnesses, each of whom represents the company who will play a pivotal role in this investigation. And with that, Mr. Chairman, I yield back. Thank you.

STUPAK: Thank you, Mr. Latta.

Mr. Doyle for an opening statement, please?

DOYLE: Mr. Chairman, thank you for convening this hearing today.

First, let me offer my condolences and prayers to the families and friends of the 11 people on the deep water Horizon rig that tragically lost their lives in the catastrophe three weeks ago. It's -- it's a sad, grave reminder of the level of risk and danger involved in deep water drilling.

Economic and environmental concerns aside, we owe it to these families to fully and responsibly investigate what went wrong. After reading the testimony that you've all supplied, one thing seems quite clear. None of you before us today is prepared to accept full responsibility for what happened on April 20th. And though I'm very interested in learning whom is responsible, I don't believe it's the most pressing issue at hand today.

Today what is most critical are the health, environmental and economic effects of this oil leak that continues to grow as this well gushes nearly 5,000 barrels of oil into the Gulf each day. And that is a conservative estimate. The unified command has quickly been activated to arrest and mitigate the effects of this oil spill on surrounding communities. Workers and volunteers are setting hundreds of thousands of feet of boom to protect coastlines, releasing massive volumes of dispersants (ph) to break up the oil and even skimming the water's surface to collect the oil.

This vast response has been swift by most standards. And I commend each of your companies for its willingness to devote all the necessary resources to this effort.

It is troubling, though, that in your eagerness to drill you told the Mineral Management Service in February of 2009 that you could handle a worst-case scenario of 162,000 barrels of oil from an uncontrolled blowout. Now you're dealing with 5,000 barrels a day, and the containment zone hasn't worked. A relief well is far from complete. The blowout preventers can't be activated. And you may need to resort to a jump shot.

What I have a hard time understanding is how three weeks after the initial explosion there are not better solutions. By any standard, I think it's safe to say that each of your companies have done quite well over the last year. In fact, a quick review of your profits show that Transocean netted \$677 million in profits, Halliburton, \$206 million and B.P. rounded out with \$6.1 billion in profits. And that's just for the first quarter of this year.

DOYLE: With the success of this industry, both financially and in technological developments that allow us to drill 30,000 feet underground, how is it not possible that we haven't developed better technologies to plug a well? I mean, recent news reports explain a maneuver called a jump shot that involves shooting golf balls and rubber tires into a well to try and stop the leak.

I had to ask my staff if that was really true or a misprint. I mean, surely with profits of \$6.1 billion we can devote greater resources to more advanced technologies than golf balls and tires.

I hope our examination here today and in the future months will help us understand how we can allow such high-risk drilling to go on without any sure-fire means for addressing a blowout. I hope that in response to this horrendous accident that you will all devote sizable resources to developing safer technologies and better regulations to protect your workers, our environment, our wildlife, and our domestic energy portfolio.

Mr. Chairman, I yield back.

STUPAK: Thank you, Mr. Doyle.

Mr. Blackburn for an opening statement, please?

BLACKBURN: Thank you, Mr. Chairman.

And I do want to welcome our witnesses. And thank you for the preparation you've put into planning to be here with us today.

There is no doubt this is a terrible event, and it is one that concerns us. And I represent middle and west Tennessee, but I grew up in the Mississippi coastal plains. And I know very, very well the impact of the oil production industry on those communities and on the livelihood of those citizens.

And also, I know how dependent they are on the gulf, also for wetlands and for seafood. And so this is a tragedy, and it does have so many tentacles, and, of course, the loss of life is very sad, and I know that it reaches deep within those families across the gulf.

I think that what we -- my focus today -- what I would seek to do is to understand what happened and the cause, and to understand that without any bias.

I think that while going on a search for villains can make for compelling TV, it is not going to put us on the path forward that we need, and that needs to be a pathway to sustainable and responsible drilling in the gulf.

And we need to look at this, have an honest investigation so that we find opportunities for avoidance that may have been missed both by Washington and by the industry.

I think that we also need to focus our attention on cleaning up the current spill, securing other wells until a long-term solution can be found.

In this type business, risk cannot be 100 percent managed, and I understand that. And realizing that, I think it is maybe necessary to review contingency plans and to require operators to have prepositioned containment equipment to limit the impacts. Maybe that's something we need to talk about and look at today.

This hearing is a first step to address these issues. Members of this panel are going to have questions for the witnesses on the protocols that are followed, the equipment that was used, and on what a proper course of action should be. So, Mr. Chairman, thank you. And to our witnesses, thank you for being here today.

STUPAK: Thank you, Ms. Blackburn.

Ms. Christensen for an opening statement, please?

CHRISTENSEN: Thank you, Mr. Chairman.

And thank you, Chairman Stupak and Ranking Member Burgess, for holding this important hearing to examine the Gulf Coast oil spill disaster situation of grave and far-reaching magnitude which is likely to eclipse the Exxon Valdez spill of 20 years ago.

It has been approximately three weeks since the explosion that caused the Gulf Coast oil spill, and many questions remain unanswered. What caused the explosion? Why did several safety mechanisms fail to prove successful? And the billion-dollar question: How can we stop the oil from spewing into the ocean and towards the shore, and how can we do it as soon as possible?

I look forward to the testimony this morning, and I thank everyone for coming to yet another hearing. What I'm not anxious to hear is a blame game. There are investigations underway that will answer the questions of what went wrong and who and what was at fault.

Someone speaks of collaborative efforts in their testimony, and to my mind, this is a tragic accident, which all companies, operator and contractors, probably share some responsibility, just as they all have a role in the response, clean-up and recovery, as well as and importantly making sure this does not happen again.

We need to clarify what we do know, but the important issue now is how to stop the thousands of gallons of oil from continuing to pour out and how best we can work with all federal and private partners in the unified command to do just that. Despite the fact that we can never know anything because of the settlement, there are reports of severe health consequences in those who worked on the Exxon Valdez spill and others. And so I have grave concerns about the health and safety issues for the responders in this one and want to have the assurance that every precaution is being taken to prevent illness and disability in these workers.

I'm also concerned about the hundred of other -- hundreds of other oil rigs that are functioning now, some in deep waters. Are we better prepared today to respond to an accident in these than we were on April 20th? What is being done to ensure that we are? And does BP meet what I understand are the higher permitting standards of the U.K. in their operations here in the United States?

Of course, like my colleagues, I'm also concerned about the protection and preservation of the fisheries and other shoreline wildlife and the economic impact of those who depend on these resources for our livelihood and, of course, the loss of life. It's my hope that we'll leave this hearing better informed than we came in.

I would also like to take this opportunity to express my sincere condolences to the families who lost loved ones in the April 20th tragedy and wish Godspeed to them, the survivors and their families, as they go through their recovery process.

Thank you, Mr. Chairman. I yield back the balance of my time.

STUPAK: Thank you.

Mr. Welch for an opening statement, please, three minutes?

WELCH: Thank you very much, Mr. Chairman. I thank the witnesses for coming. And I, along with my colleagues, want to acknowledge the extraordinary loss of love and lives, of brave and hard-working people who died and perished in this accident.

A couple of things. I took the trip to the Gulf Coast with the chairman and ranking member, Mr. Barton, some of my colleagues, Mr. Scalise and Mr. Melancon most significant among them, because they live with the folks whose livelihoods and whose sense of self depends on oil and on fishing.

And the heartache that we saw was very powerful. When we flew out over the oil spill, the journey was in a Coast Guard plane that flew low and slow. And traveling out over that magnificent Mississippi Delta and looking down at all the wildlife that we could see, seeing the boats that wanted to be out fishing but couldn't be, going over the Chandeleur Islands, with that pristine white sand, knowing how much that landscape and how that economic livelihood is so cherished by Mr. Scalise's people, Mr. Melancon's people, and then seeing that first ribbon of an oil slick, that metallic blue, ominous sight that we saw a few miles off the Chandeleur Island, and then to see this magnificent blue sea become ink black, and then to get out over the oil site -- or the rig site where those 11 men perished, and to see this cancerous flame-orange glow on the sea that is the combination of the emulsifiers and the oil is just heartbreaking. And, gentlemen, you obviously share the concern about this, but you do have the responsibility. You've been well paid. You know, the head of BP, I think, made about \$6 million last year, Mr. Newman, about \$5.4 million, Mr. Probert, about \$3 million, Mr. Cameron, about \$8 million.

The folks who are now cleaning up this oil spill -- we've got a picture. Mr. Burgess and I spoke to them. There a couple of women from New Orleans who come out and work for \$12 bucks an hour. It's not just golf balls and the other things that people mentioned. It's hard-working people who are coming out, standing in the hot sun, and they'd like a bit of a raise, to tell you the truth.

But the other thing that we saw that was so heartbreaking to me is fishermen, and their boats are not filled with fish. They're filled with these booms. And that's what these two women in the earlier picture, they load these boats with booms. And these fishermen are proud. They work incredibly hard. However hard you work, they work harder.

And right now, they are in peril. The only thing that's keeping them going is that you're paying them to put booms out to try to keep the oil from the shore and the seabed.

But at the end of the day, we know harm is going to be done. And the one question I want conclusively answered is whether BP, who has the ultimate responsibility here, is going to acknowledge specifically and categorically that it will not limit its liability to those fishermen and women in those tourist industries in that Gulf Coast, those people who've protected the environment that you will not stop your obligation at the \$75 million limit that was established after Exxon Valdez.

If they've been harmed by conduct that you're responsible for, then I want -- and I think all of us want -- an assurance that those fishermen and women, those folks in the tourist industry, and Steve Scalise's, Charlie Melancon's district will be made whole.

Thank you, Mr. Chairman. I yield back.

STUPAK: Thank you, Mr. Welch.

Mr. Green, do you have an opening statement? You can be recognized for three minutes then. Take your time.

GREEN: (OFF-MIKE) Mr. Chairman, for holding the hearing today, and I'd like to welcome our panel. It's certainly under tragic circumstances that we convene here today, and my condolences out to the family who lost their lives in this accident, and also those who are injured.

As a member of Congress from East Harris County in Houston, Texas, I have just literally hundreds of people who work offshore, offshore Texas, offshore literally all over the world. And along with our infrastructure, we produce -- still produce oil and natural gas in a very urban-suburban area, but we also have refineries and chemical plants who need that product that's being produced.

This hearing today will be the first of many of the subject, and ultimately we'll determine what went wrong on the Deepwater Horizon rig and apply those lessons to reduce the chance of this ever happening again. However, we should continue to focus on stopping the spill and cleaning it up as soon as possible. And I look forward to hearing from our panel about the latest efforts on this front.

In the wake of the tragic accident, many people are understandably concerned about the safety and environmental risk associated with offshore drilling, and drilling is certainly not risk-free. Neither is anything else.

However, we should be careful not to rush to judgment on the issue on offshore drillings until we learned what went wrong in this particular case. In fact, this is the first major accident in the Gulf of Mexico since 1979. And that's almost 31 years. And we've used a lot of that product that's come out of the Gulf of Mexico to move our country for many years.

Like after the Exxon Valdez incident, I anticipate Congress will respond in ways aimed at mitigating a similar accident from ever reoccurring, and I agree that we must take every possible precaution to guard against that happening again.

The Energy Information Administration maintains that oil, natural gas, and coal will continue to make up the large majority of U.S. energy use in 2030 and beyond. If we reduce our dependence on foreign oil, we must safely and responsibly explore and produce more domestically and -- which is a very important issue, because unless we want to continue to import, I heard the other day we still import 55 percent of our oil right now from overseas.

Canada, Mexico, but they're producing as much as they can. If we don't produce it in the Gulf of Mexico or offshore, then we're going to get it from Venezuela, we're going to get it from parts of the world that we may not have the best relationships with. So that's why we need to get it right and produce it domestically.

I look forward to the testimony today. And, again, Mr. Chairman, I thank you for holding a hearing. I yield back my time.

STUPAK: Thank you, Mr. Green.

Mr. Ross for an opening statement?

ROSS: Thank you, Chairman Stupak, for holding today's hearing to examine the causes of the recent explosion of the Deepwater Horizon rig and the effects of this oil spill on both the Gulf Coast region and our nation's domestic energy policy.

We all recognize this tragic event was an accident, and my thoughts and prayers go out to those who lost loved ones in the explosion and to the people along the Gulf Coast who have been adversely affected by this incident in an already tough economy. This accident is a wake-up call for our domestic oil and gas production, and we must take this opportunity to carefully examine our safety standards and protocols in deepwater drilling.

America has led the world in technological innovation by putting a man on the moon, sending a robot to Mars, and decoding the human genome. Given all the knowledge and technology at our disposal, it amazes me that we could have an accident of this magnitude in 2010.

What's even more concerning is that the companies responsible did not have the foresight to anticipate this accident or have an action plan ready or procedures in place that would have immediately remedied this situation and reduced the harmful consequences before it got out of control.

After three weeks of oil still leaking into the gulf, it is clear these procedures were either not in place or did not work effectively. And I am pleased that we are now addressing this issue today in this hearing.

However, I want to make it clear that this event does not diminish our need to continue domestic drilling as part of our overall diverse energy policy, but it does remind us of the risk associated and the safety standards that must be adhered to and improved to ensure this never happens again.

I believe that now more than ever we should be investing in the most advanced 21st century technologies that will allow us to recover domestic oil and natural gas safely instead -- instead of sending half-a-trillion dollars a year overseas, much of which is ending up in the hands of those who want to harm us.

I am hopeful that this tragic event and this hearing can be a learning experience to help us to examine our current policies for drilling offshore and, in the end, help secure America's domestic energy supply for future generations. And with that, Mr. Chairman, I yield back the balance of my time.

STUPAK: Thank you, Mr. Ross.

We'll next hear from Ms. Sutton of Ohio for an opening statement.

SUTTON: Thank you, Chairman Stupak. And thank you for holding this very important hearing on the Gulf Coast oil spill.

It's been three weeks since the first explosion on the Deepwater Horizon drilling rig -- three weeks, and we're still looking for answers. What caused the explosion? When will the oil leaks be closed? And what long-term impacts will this tragedy have on our families, small businesses, the environment, and local and state governments?

The one thing we do know is that the companies involved in this oil well operation have failed. And these companies are pointing the finger at each other. These companies failed to have a plan

to deal with this type of incident. The companies failed to implement adequate safety measures, and the companies have failed to find sufficient solutions to contain and mitigate this disaster.

And while America waits for a resolution to this disastrous spill, 5,000 barrels of oil, over 200,000 gallons a day continue to pour out of the seabed into the Gulf. The wake of this oil spill is broad and sweeping. Eleven workers died. Seventeen were injured. The Gulf Coast states' economies are crippled.

The livelihoods of workers, their families, and the small businesses that rely on the Gulf remain in question. And there is a great possibility that the Gulf Stream could carry this bill around the tip of Florida and to the Atlantic Coast. The ramifications of this disaster pose great questions about safety measures in deep water drilling and the priorities of BP, Halliburton and others.

BP has stated that they would do whatever it takes to stop these leaks. But did BP and Transocean do whatever it took to prevent these leaks, this disaster, from occurring? BP and Transocean have been careful to say that the measures they are taking to end the leaks have never really been used before, and one example being the failure of the cofferdam placement over one of the leaks this past weekend, something that had never been attempted at such depths.

BP and Transocean have proven that they did not have a response plan sufficient to meet the need in place for a Deepwater well spill. The technology for deepwater drilling has continued to advance through significant investment by oil companies, enabling them to access oil in places once thought impossible.

But it is now apparent that the necessary investment to develop safety measures and contingencies for deepwater drilling were not adequately advanced. Safety must be put first, and investment in it must match, if the search for oil and drilling in our waters off of the shore are to continue.

I remain troubled by the continuation of hazardous safety practices at BP's facilities, including fines imposed on their refinery in Toledo, Ohio. And while we wait for BP to stop these leaks, which could possibly take months, the future of our families, workers, small businesses and the environment remain at the mercy of the winds of the Gulf, and that is not how it should be.

So I look forward to hearing the testimony today.

STUPAK: Thank you, Ms. Sutton.

That concludes the opening statement of members of the subcommittee.

I would note that members of the full committee who have been here -- Mr. Scalise, Mr. Melancon, Ms. Castor, Mr. Inslee was here, Ms. Capps -- I expect they'll probably stay and -- or come back during questions. I know members will be in and out today. It should also be noted that Congresswoman Sheila Jackson Lee is here from Houston, who's sitting in on today's proceedings. She's welcome to do so.

And -- and welcome to the committee.

That concludes the opening statement by members of the subcommittee. We have our first panel of witness before us. On our panel we have Mr. Steve Newman, who is president and CEO of Transocean Limited, which owned and operated Deepwater Horizon oil rig and the blowout

preventer; Mr. Lamar McKay, who is the chairman and president of BP America, who is a responsible in the Gulf leak; Mr. Tim Probert, who is the president, Global Business Lines, chief health, safety, environmental officer at Halliburton, which did the cementing of the well; and Mr. Jack Moore, who is the director, president and CEO of Cameron International, which manufactured the blowout preventer used by Transocean with the Deepwater Horizon rig.

It is the policy of this subcommittee to take all testimony under oath. Please be advised that you have the right under the rules of the House to be advised by counsel during your testimony. Do any of you wish to be represented by counsel?

Mr. Newman?

Mr. McKay?

Mr. Probert?

Mr. Moore?

The witnesses indicate they do not. So therefore I'm going to ask you to please rise and raise your right hand to take the oath. Do you swear or affirm the testimony you're about to give is the truth, the whole truth, and nothing but the truth in the matter pending before this committee?

Let the record reflect the witnesses applied in the affirmative.

You're each now under oath. We will hear your five-minute opening statement. You may submit a longer statement for the record, and it would be included in the hearing record.

Mr. Newman, if you don't mind, we'll start with you, please, if you'd start your opening statement? And thank you for being here.

NEWMAN: Chairman Waxman, Subcommittee Chairman Stupak, Chairman Emeritus, Ranking Members Barton and Burgess, other members of the committee, I want to thank you for the opportunity to speak with you this morning.

My name is Stephen Newman, and I am the chief executive officer of Transocean Limited. Transocean is the leading offshore drilling contractor with more than 18,000 employees worldwide. I am a petroleum engineer by training, and I have spent years working with and on drilling rigs. I have been with Transocean for more than 15 years, and I am incredibly proud of the contributions our company has made to the energy industry during that time.

Today, however, I said 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 Transocean and to me than the safety of our crewmembers, and our hearts ache for the widows, parents and children of the 11 crewmembers, including nine Transocean employees, who died in the Deepwater Horizon explosion. These were exceptional man, and we are committed to doing everything we can to help their families as they cope with this tragedy.

Over the last few weeks, we have also seen great acts of courage and kindness in our colleagues and in our communities. That courage and kindness was embodied by the 115 crewmembers who were rescued from the Deepwater Horizon and were as concerned about the safety of their colleagues as they were about themselves.

It was embodied by the brave men and women of the U.S. Coast Guard, who conducted on-site operation search and rescue operations, and by the medical profession received the injured crewmembers they arrived on shore. And it is embodied by our friends and colleagues at Transocean and across the industry, who have rallied to help the families of the men were lost.

This has been a very emotional period for all of us at Transocean, and it has also been a period of intense activity and effort. Immediately after the explosion, Transocean began working with BP and the unified command in the effort to stop the flow of hydrocarbons from the well. Our finest engineers and operational personnel have been working BP to identify and pursue options for stopping the flow as soon as possible. Our drilling rig, the Development Driller 3, is involved in drilling the relief well at the site, and our drill ship, the Discoverer Enterprise, is on location, participating in the crude oil recovery operations. A third Transocean drilling rig, the Development Driller 2, will be on location and the next day or two to also participate in those on-site operations. We will continue to support BP and the unified command in all of these efforts.

At the same time we have also been working to get to the bottom of the question to which this committee, Congress and the American public desperately want an answer. What happened on the night of April 20th and how do we assure the American public that it will not happen again?

Transocean has assembled an independent investigative team to determine the cause of these tragic events, a team that includes dedicated Transocean and industry experts. They will be interviewing people who have potentially helpful information and studying the operations and the equipment involved.

Because the drilling process is a collaborative effort among many different companies, contractors and subcontractors, the process of understanding what led to the April 20th explosion and how to prevent such an accident in the future must also be collaborative. Our team is working side-by-side with others, including BP and governmental agencies, and these investigative efforts will continue until we have satisfactory answers.

While it is still too early to know exactly what happened on April 20th, 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 17th, 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 20th, there was a sudden catastrophic failure of the cement, that casing, or both. Without a failure of one of those elements, the explosion could not have occurred. 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 simultaneous.

What caused that sudden violent failure? Was the well properly designed? Were there problems with the casing or the seal assembly? Was the casing properly cemented and the well effectively sealed? Were all appropriate tests run on the cement and the casing? Were the blowout preventers damaged by the surge that emanated from the well beneath? Did the surge low degree into the BOP that prevented them from squeezing, crushing or shearing the pipe?

These are some of the questions that need to be answered in the coming weeks and months. Until we know exactly what happened on April 20th, we cannot determine how best to prevent such tragedies in the future. But regardless of what the investigations uncover, ours is an industry that

must put safety first. We must do so for the sake of our employees, for the sake of their families, and for the sake of people all over the world, who use, enjoy and rely on our oceans and waterways for their sustenance.

And before I close, let me respond to Representative Burgess' specific question that arose during yesterday's Senate testimony. The modification referred to was the result of an agreement between representatives of BP and Transocean approximately five years ago. It was done at BP's request and at BP's expense.

Thank you for the opportunity to speak here today. And I am happy to answer any questions.

STUPAK: Thank you, Mr. Newman.

Mr. McKay, your opening statement, please?

MCKAY: Chairman Waxman, Chairman Emeritus Dingell...

STUPAK: You may want to pull that a little closer.

MCKAY: Closer.

Chairman Stupak, Ranking Member Burgess, members of the committee, my name is Lamar McKay, and I am president of BP America.

We have experienced a tragic series of events. Three weeks ago tonight 11 people were lost in an explosion and fire aboard the Transocean Deepwater Horizon rig, and 17 others were injured. My deepest sympathies go out to the families and friends who have suffered. This is a terrible loss, and there is a huge, enormous issue in the Gulf Coast. Those communities, lives and livelihoods are being affected.

Over the last few days, I've seen the response firsthand. I've seen the men -- men and women on the front line. There is absolutely a deep and steadfast resolve to do all we humanly can to stop the leak, contain the spill, clean up the damage, and deal with the -- the impact, economic and environmental.

As a responsible party under the Oil Pollution Act, we will carry out our responsibilities to mitigate the environmental and economic impact. And to be very clear, that -- just to be very clear, the 75 million is irrelevant, and we can talk about that later.

Our efforts are part of a unified command that was established within hours of the accident, and it provides a structure, a structure for our work with the Department of Homeland Security, Department of Interior, as well as Defense, Energy, OSHA and other federal agencies, as well as affected state and local governments and Transocean.

We are grateful for the involvement of President Obama and members of his cabinet and for the leadership, direction and resources they've provided. We're also grateful to the governors, congressional members, state agencies, local agencies, local communities of Mississippi, Alabama, Louisiana, Florida and Texas.

I want to underscore that the global resources of BP are committed to this effort and have been from the outset. Nothing is being spared. Everyone understands the enormity of what lies ahead and is working to deliver an effective response at the wellhead, on the water and on the shoreline.

MCKAY: Before I -- before I describe our around-the-clock efforts to respond to this series of events, I want to reiterate our commitment to find out what happened.

Understanding -- understanding what happened and why it happened is a complex process. We are cooperating with the joint investigation by the Departments of Homeland Security and Interior and investigations by Congress. In addition, B.P. has commissioned an internal investigation whose results we plan to share so we can all learn from these terrible events.

I want to be clear, it's inappropriate to draw any conclusions before all the facts are known. As we speak, our investigation team is locating and analyzing data, interviewing available witnesses, and reviewing and assessing evidence.

And today I think it's important to give you and the American public an idea of the questions we're asking. There are really two key sets of questions here, and we're actively exploring both of those. First, what caused the explosion and fire onboard Transocean's Deepwater Horizon? Second, why did Transocean's blowout preventer, the key failsafe mechanism, fail to shut in the well and release the rig?

With respect to the first question, the key issue we're examining is how hydrocarbons could have entered the wellbore. B.P., as a leaseholder and operator of the well, hired Transocean to drill the well and fulfill their safety responsibilities.

We do not know yet precisely what happened on the night of April 20th, but what we do know is that there were anomalous pressure test readings prior to the explosion. These could have raised concerns about well control prior to the operation to replace mud with seawater in the well in preparation for setting the cement plug.

Through our investigation, we hope to learn more about what happened and what was done in the hours before the explosion. Apart from looking at the causes of the explosion, we are also examining why the blowout preventer, the BOP as it is called, did not work as the ultimate failsafe to seal the well and prevent an oil spill.

Clearly, the BOP remains a critical piece of equipment throughout all operations to ensure well control up until the time the well is sealed and a cement plug is -- is placed and the well is temporarily abandoned. We will continue full-speed ahead with our investigation, keeping all lines of inquiry open until we find out what happened and why. At the same time, we are absolutely fully engaged 24 hours a day, every second of the day, in efforts to respond to these events.

Our subsea efforts to stop the flow of oil and secure the well involve four concurrent strategies. Activating the blowout preventer would be the preferred course, since it stops or diminishes the flow at the source. Unfortunately, this has proved unsuccessful so far.

We are working on a containment system which will place enclosures or containment chambers atop the leak and conduct flow to a ship at the surface.

There have been technical challenges, obviously. Engineers are now working to overcome these challenges.

We've begun to drill the first of two relief wells designed to intercept and permanently secure the original well. We began drilling the first relief well on May 2nd and expect to begin drilling the second relief well at the end of this week. This operation could take approximately three months.

A fourth effort, known as a top kill, uses a tube to inject a mixture of multi-sized particles directly into the blowout preventer to cap the well. It is a technique that's been used industry-wide across the world, but never in 5,000 feet of water.

On the open water, we've got 300 response vessels mobilized, 1 million feet of boom placed, 2.4 million feet sourced, and the supply chain geared up to sustainable boom what areas are necessary.

We're also attacking this spill with biodegradable dispersants that were pre-approved by the Coast Guard and the EPA. Those are being applied by planes and boats. We've also developed and tested a technique to apply dispersant at the leak point on the seabed.

We've done a 24-hour -- done three tests of that, and we're waiting on the EPA to decide if we can permanently -- or continuously use that dispersant, which we hope we can.

To protect the shoreline, we're implementing what the U.S. Coast Guard has called the most massive shoreline protection effort ever mounted in history. Thirteen staging areas are in place, and over 4,000 volunteers have already been trained.

We recognize there are both environmental and economic impacts. B.P. will pay all necessary clean-up costs and is committed to paying legitimate claims for other loss and damages caused by the spill.

Tragic and unforeseen as the accident was, we must not lose sight of why B.P. and other companies are operating in the offshore, including the Gulf of Mexico. The Gulf provides one in three barrels of oil produced in the United States, a resource our economy requires.

B.P. and the entire energy industry are under no illusions about the challenge we face. We know that we will be judged -- we will be judged by our response to this crisis. We intend to do everything in our power to bring this well under control to mitigate the environmental impact of the spill and to address economic claims in a responsible manner.

No resource available to this company will be spared. I can assure you that we and the entire oil and gas industry will learn from this terrible event. We will emerge from it stronger, smarter and safer.

Thank you for the opportunity to appear before you today. I'd be happy to answer your questions. In addition, as you requested, I brought a technical expert with me, Mike Zanghi, vice president of drilling.

And on the modifications, Congressman Burgess, I was referring to yesterday, I need to know if the modifications that we encountered on interventions while this response is going on, were those the only modifications that were made in 2005?

STUPAK: Thank you, Mr. McKay.

We should note that Ms. Myrick, a member of the full committee, is with us. I'm sure she'll have some questions when we get to the question period. Thanks for joining us.

Mr. Probert, your opening statement, please, sir?

PROBERT: Chairman Stupak, Ranking Member Burgess, and members of the subcommittee, thank you for inviting Halliburton to testify.

We'll continue to work with you and your staff to collect factual data that will enable an understanding of what took place and what we collectively can do to ensure that domestic oil and gas production is undertaken in the safest, most environmentally responsible manner possible.

The catastrophic blowout and the spread of oil in the Gulf of Mexico are tragic events for everyone. On behalf of the entire Halliburton family, we extend our heartfelt sympathy to the families, the friends, and colleagues of the 11 people who lost their lives and those workers who were injured in the tragedy.

As we hope you could appreciate, neither Halliburton nor any other party can make a judgment or offer any credible theories about what happened until, at a minimum, the well-owner has interviewed everyone on the Deepwater Horizon, to recreate the daily log of activities for April the 20th.

In the absence of that information, no one should rush to judgment. However, there are three things that could be said with certainty: one, that the casing shoe was cemented 20 hours prior to the tragic accident; two, it's premature to say that the root cause of the event was a catastrophic failure of the casing or cement; and, three, had the BOP functioned as expected, this catastrophe would not have happened. With respect to the Mississippi Canyon 252 well, Halliburton and many other companies were contracted by the well-owner to provide products and services. Halliburton provided cementing, mud logging, directional drilling, and real-time data acquisition and data delivery services for key personnel onboard the rig and onshore.

However, contrary to press reports, Halliburton did not provide casing, wellheads, or seal assemblies.

Since the blowout, Halliburton has been working at the direction of the well-owner to assist in the efforts to bring the well under control. This includes intervention support to help secure the damaged well and assistance in drilling two relief wells.

At the outset, I need to emphasize that Halliburton as a service provider to the well-owner is contractually bound to comply with the well-owner's instructions on all matters relating to the performance of all work-related activities.

The construction of a deepwater is a complex operation involving the performance of many tasks by many parties. While the well-owner's representative has ultimate authority for planning and approving activities on the rig, the drilling contractor performs and directs much of the daily activity.

Cement can be used to isolate formation fluids, to prevent movement of these fluids between formations, and to bond and support the steel casing.

There are many external factors which affect the design and execution of a cement job, and these include the variability of the whole geometry, the relative location of hydrocarbon zones, and the hydrocarbon content of associated drilling fluids.

The centralizer placement on the production casing, the drilling fluid conditioning program prior to cementing, and the cement slurry and placement design use of this well were implemented as directed by the well-owner. By design, no continuous cement column was installed throughout the entire wellbore.

Approximately 20 hours prior to the catastrophic loss of well control, Halliburton had completed the cementing of the ninth and final production casing string in accordance with the well program, which would have been approved by the MMS.

Following the placement of the cement slurry, the casing seal assembly was set in the casing hanger. As required by the MMS and as directed by the well-owner, a positive pressure test was then conducted to demonstrate the integrity of the production casing string. The results of the positive tests were reviewed by the well-owner, and the decision was made to proceed with the well program.

The next step was the performance of a negative pressure test, conducted by the drilling contractor at the direction of the well-owner and in accordance with MMS requirements. This tests the integrity of the casing seal assembly. We understand that Halliburton was instructed to record drill pipe pressure during this test.

After being advised by the drilling contractor that the negative tests had been completed, Halliburton's cementing personnel were placed on standby. We understand that the drilling contractor then replaced the dense drilling fluid in the riser with lighter seawater prior to the planned placement in the final cement plug. The drilling fluid was transferred directly to a workboat.

The final cement plug would have been installed inside the production string and enabled the planned temporary abandonment of the well, but prior to reaching that point in the well -- in the well construction plan that Halliburton personnel would have been directed to set the plug, the catastrophic incident occurred.

Halliburton's confident that the cementing work on the Mississippi Canyon 252 well was completed in accordance with the requirements of the well-owner's well construction plan.

To amplify -- and before closing -- and to amplify respectfully to a comment made earlier by Representative DeGette, the MMS did, indeed, conduct a survey which indicated that cementing was a factor in 18 or 39 well-controlled incidents over an approximately 10-year period in the Gulf of Mexico. I should point out that only one of these incidents occurred in water depths over 400 feet.

Thank you for the opportunity to share Halliburton's views. I look forward to answering your questions.

STUPAK: Thank you.

Mr. Moore, your opening statement, please, sir.

MOORE: Chairman Stupak, Ranking Member Burgess, Chairman Waxman, Chairman Emeritus Dingell, Ranking Member Barton, members of the committee, good morning.

I'm Jack Moore, president and CEO of Cameron International Corporation, and I appreciate the opportunity to be here for this hearing on what is truly a tragic event.

One word about our company, 18,000 employees in more than 300 locations worldwide. We have worked with our customers for over 120 years to design, manufacture and service products that help them safely find, develop, produce and transport oil and gas.

The Cameron product used by the Deepwater Horizon is called a blowout preventer, or a BOP, a product that Cameron actually invented in the 1920s. A BOP allows our customers to control the pressure in a well while being drilled. We have over 400 BOP stacks operating offshore, and over 130 are operating in deep water.

Each individual BOP stack is made up of components specified by our customers and is configured to their specific operating specifications and is manufactured and tested in accordance with industry standards. Our BOPs have a very long history of reliable performance, including performance in some of the harshest operating conditions in the world. The BOP stack on the Deepwater Horizon was operating in 5,000 feet of water.

As soon as Cameron was notified of the Deepwater Horizon incident, we mobilized a team of our best drilling system specialists to work with B.P. and Transocean to assist in shutting this well in.

Since that time, we have been working around the clock to assist in this effort, and we will continue to provide all of the necessary resources at our disposal until this well is shut in.

It is far too early to draw conclusions about how the incident occurred, but every one of us at Cameron, myself, and I think this industry is mindful of the tragic loss of life that occurred and likewise the impact to the environment and to the commercial impact that it will have.

Cameron and I understand the need to discover the facts relating to what went wrong and to do all that is possible to prevent the occurrence of such an incident in the future. I'm accompanied today by my colleague, David McWhorter, who is our vice president of engineering and quality for our drilling systems group, to be at your disposal for -- for answers.

Thank you for letting us be here today.

STUPAK: Thank you, Mr. Moore.

It should be noted for -- for members that we asked each of our witnesses to have a technical expert with them to help in answering any technical questions.

STUPAK: Now, to our witnesses, you may consult with your technical experts before responding to questions. And if we get to a point where your expert needs to answer directly, then we would have them sworn in and hear from them directly, but otherwise we'll look to you for the answers.

So with that, let's begin our questions. We'll go five minutes this first round.

Mr. Waxman, would you like to begin, please?

WAXMAN: Yes, thank you very much, Mr. Chairman.

I want to return to a point that I raised in my opening statement. And that was the question about a series of pressure tests performed on the well before the blowout took place. My understanding is that there are two types of pressure tests.

A positive test involves adding fluids into the well to increase and to exert additional pressure. This tells the well operator whether fluids can flow from the well into the surrounding formations.

A negative pressure test is a reverse. It removes some of that pressure in the well creating an inward or upward force from the pressure differential. And that would be used to detect flow into the well through a breach in the cement or the casing.

Both tests are important. And failure of either test could suggest a failure of the seals or the well's integrity.

Mr. Newman, am I right in my understanding of the significance of these two tests?

NEWMAN: Chairman Waxman, I would agree with your assessment that the successful performance of those tests is critical to understanding the condition and the integrity of the casing and cement. And a negative response, a negative outcome for either one of those tests would indicate that there are potential problems.

WAXMAN: Mr. McKay, Mr. Probert, do you agree with that?

PROBERT: Yes, I do.

WAXMAN: OK.

I understand that the well passed positive pressure tests on the morning of April 20th, 2010. But I also understand that when negative pressure tests were performed later that day starting around 5 p.m., there were anomalous results. Let's go back to the document entitled, "What We Know," which was put out by B.P.

It says, quote, "After 16 and-a-half hour waiting on the cement, a test was performed on the well bore below the blowout preventer," end quote. And then it says, "During this test, 1,400 PSI was observed on the drill pipe while 0 PSI was observed on the kill and the choke lines."

Mr. Newman, can you explain what 1,400 pound discrepancy in the negative pressure test might signify and what its importance might be?

NEWMAN: The indication of 1,400 PSI on the drill pipe would indicate that there was pressure in the well bore being registered on the pressure gauge attached to the drill pipe. The absence of pressure on the choke and kill line would indicate a discrepancy between the -- the well bore pressure being measured by the drill pipe and the anualis (ph) pressure being measured by the choke and kill line.

WAXMAN: And what significance does that have?

NEWMAN: The significance of the discrepancy between the two pressures would lead -- lead to a conclusion that there was something happening in the well bore that shouldn't be happening.

WAXMAN: And, Mr. McKay and Mr. Probert, do you agree?

MCKAY: I -- I think -- obviously difficult to speculate. But I do think this -- that discrepancy is critical, and the investigation will have to tear that apart piece by piece, absolutely, yes.

WAXMAN: And, Mr. Probert?

PROBERT: We don't have knowledge of the, sort of, mechanical...

WAXMAN: No, I'm just asking if that -- if that explanation of a differential is -- is accurate.

PROBERT: Yes, I would say so.

WAXMAN: OK.

Now, Mr. McKay, Mr. Dupree from B.P. told us on Monday -- he said, "The results were not satisfactory." And he said there were a possible warning that gas was seeping into the well and building up pressure inside the bore hole. Mr. Dupree is your senior official responsible for operations in the Gulf of Mexico. Do you agree with his assessment?

MCKAY: Mr. Dupree has been working on the crisis 20 hours a day. I don't -- I wasn't sitting in on the meeting that you're referring to, so I wasn't privy to that review.

What I would say -- 1,400 PSI on the drill pipe and no -- no PSI on the choke and kill lines indicates something is -- should be investigated, absolutely.

WAXMAN: Well, the anomalies in the pressure testing present a significant question that should be thoroughly investigated. Just hours before the explosion tests on the well returned results that signal the possible well failure and the influx of gas up the wall. Yet it appears that the companies did not suspend well operations.

And now 11 workers are dead, and the Gulf Coast region faces catastrophic environmental damage. We need to know if that's the case and why it was the case. And it appears from Mr. Dupree's statements to our staff that that was the result of the test as -- that was -- the negative test that was taken.

Thank you, Mr. Chairman. I yield back my time.

STUPAK: Mr. Barton for questions?

BARTON: Thank you, Mr. Chairman. I've watched the testimony in my office as I did other work, so I have listened to the opening statements and to the members' questions -- the members' opening statements. So I have been participating by -- by video.

My first question is generally to the panel. Do any of you allege that the incident that occurred should not have been foreseen, that it was of such a catastrophic nature that the equipment and the technology should not have contained it? Do you understand what I'm asking?

OK. I see absolutely no response.

MCKAY: Could I respond?

BARTON: Yes.

Well, let me -- let me rephrase it. Does -- does anybody here believe that the blowout preventer and the technology employed in the procedures, if they had worked properly, could not have prevented the spill?

NEWMAN: Representative Barton, it's -- it's important to understand the design constraints of a blowout preventer. A blowout preventer is -- is not designed to close around significant debris. A blowout preventer is designed to close around drill pipe and most sizes of casing.

But without knowing exactly what's inside the blowout preventer today it is difficult to conclude that the blowout preventer wasn't subjected to conditions that exceed its design constraints.

BARTON: Well, I'm an ally of -- I'm a supporter of OCS drilling. I'm a registered professional engineer. I'm not a petroleum engineer. I'm not a geologist. But my assumption is in order to get a permit to drill, you have to show the MMS that you'll put equipment on site and drill the well in such a fashion that you can handle expected problems. And there have been millions of oil wells drilled and gas wells. There have been tens of thousands of gas wells drilled in the Gulf. It has to be a design parameter that you could have a -- a -- a catastrophic pressure release or a blowout, to use the common term. And I would think that your blowout preventer and your technology, your casing should be designed to handle that. Am I wrong?

Mr. -- the gentleman who's the president of -- of Cameron. It's your blowout preventer.

MOORE: I can -- Congressman, let me...

BARTON: Do you understand what I'm saying? I mean, this isn't a volcano that -- that exploded around this well. I mean, we don't know what happened, but -- but my assumption is -- and if my assumption's wrong, then -- then we have to reassess the entire OCS drilling program, that if the technology had worked and the people had responded or had time enough to respond, even though you had the accident, it would have been contained. It would have been shut off. Am I wrong about that?

MOORE: Well, we don't know what happened. I think that's what everyone here is trying to learn. And until we know what happens with this investigation, we will not be able to answer whether the blowout preventer that was there was functioning for that particular purpose.

Our blowout preventers are -- are built and designed to do specific things. We do know that they will not shear and seal casing. That we know. But they will shear and seal drill pipes.

BARTON: But, I mean, when you -- when you get a permit from the MMS -- I guess this would go to the president of B.P. -- you do have to show that if -- if you have some sort of a pressure release, you can prevent it escaping into the environment. Don't you?

MCKAY: I believe -- yes, I believe the permit requires a well construction plan that also requires the -- the blowout preventer that's provided by the contractor with the permit. And to answer your question, I think that, in effect, the well design, the procedures that were used and the functioning

of the equipment are going to be the mainstays of this investigation. And we do expect those to work, absolutely.

BARTON: And it -- it -- it's my understanding -- and I see my time is about to -- it's my understanding that the blowout preventer equipment is still intact. It's not -- while it may be clogged up or it may not be properly installed or connected in terms of the activation mechanism, that it's not been damaged. So it just hasn't worked properly. But it -- it isn't like it's been bent or deformed or impaired. Is that correct?

NEWMAN: There are no outward, external indications of significant damage. But I would caution the committee that the blowout preventer as a result of what's happened, particularly the -- the sinking of the vessel -- the blowout preventer was subjected to significant stress. BARTON: I see that my time is expired.

We're going to other -- another round, is that right, Mr. Chairman?

STUPAK: Yes, Mr. Barton, I think we'll probably go at least another round.

BARTON: OK.

STUPAK: Well, let me ask this. (inaudible) blowout protector -- and I've spent a little bit of time on it. I mean, a blowout protector -- like, here's your pipe. What it's supposed to do is really squeeze it off, right? If something goes wrong, it squeezes it off like a straw. You just squeeze it and you pinch it so nothing can go off. Is that correct?

Mr. Moore, is that basically correct?

MOORE: Correct.

STUPAK: OK.

I point out four ways in my testimony where this blowout protector could not be working. Number one, there were modifications that B.P. indicates they didn't know about. Transocean said no, they -- they -- they knew about it five years ago.

There was a hydraulic leak. That would not have enough pressure in there so that you could pinch this off if that hydraulic leak is serious enough.

Is that correct, Mr. Moore?

MOORE: That could be a cause. We're not sure.

STUPAK: OK.

And you also indicated that when you get these joints here if these joints are in the -- the BOP, the blowout protector, it won't cut a joint. Is that correct?

MOORE: If those joints are in a shear ram, they will not.

STUPAK: It will not cut it. All right.

And then also the dead man's switch -- besides the design all three of the having to give off, even the battery in this case, the one control panel we did find, the battery wasn't working. Correct?

MOORE: That's what we were led to believe, yes.

STUPAK: OK.

So -- so let me ask this. This is a 2001 blowout protector for this well? MOORE: Correct. It was built in 2001.

STUPAK: All right. And in 2003, 2004 there were new regulations came in for blowout protectors, were there not, Mr. Moore?

MOORE: In terms of shearing capacity or...

STUPAK: Shearing capacity in particular, yes.

MOORE: Yes.

STUPAK: In fact, doesn't section 250.416(e) indicate that now it requires the lessee, in this case, B.P. to provide information that shows that the blind shear or shear rams installed in the B.P. stack -- BOP stack are capable of shearing the drill pipe in the hole under maximum anticipated surface pressures. Is that correct?

MOORE: I'm not aware of that particular article. But...

STUPAK: How about you, Mr. McKay, since you're the lessee in this case? Is it supposed to make sure that the rams can shear this pipe?

MCKAY: I'm not personally familiar with the article you're quoting.

STUPAK: OK. I'm talking about the rules of MMS, Minerals Management Service, rules and regulations that came out in 2003.

Mr. Newman, are you familiar with those?

NEWMAN: I believe, Chairman, you're referring to the code of federal regulations 30, subsection 250. Yes, sir, I'm familiar with those.

STUPAK: And they're supposed to be able to cut this thing in half in case there's an accident. Right?

NEWMAN: It is -- the -- the line shear rams are supposed to be able to shear the tubular, yes, sir.

STUPAK: OK.

And what kind of testing did you, Transocean or B.P., do to make the determination that the shear rams were satisfactory and could cut this pipe if something happened? Did you do any testing?

NEWMAN: In terms of confirming the capability of the shear rams?

STUPAK: Correct -- which are required under 250.416(e).

NEWMAN: We rely on the test data, which is provided by Cameron.

STUPAK: OK. But test data is just really pressure, nothing to do with making sure you have your hydraulics. There was nothing in there to make sure all the valves were tight, to make sure the hydraulic fluid wasn't leaking out. Was there?

NEWMAN: There are regular tests performed on the BOP.

STUPAK: Correct.

NEWMAN: Once the BOP is both -- while the BOP is on the rig prior to its deployment and...

STUPAK: While it's on the rig, OK.

NEWMAN: Yes. And then regularly while the BOP is deployed on the seabed.

STUPAK: Right. In fact, section 446b says, every three days, weather permitting, you must go down and look at the BOP on the sea floor, does it not?

NEWMAN: I believe that's correct, chairman.

STUPAK: OK. Did you do that in this case?

NEWMAN: There is an ROV, remote operated vehicle, contracted by BP and located on the rig. And it's out there for that purpose.

STUPAK: OK. And did it perform any tests on the BOP that was sitting on the sea floor?

NEWMAN: The only test the ROV would perform in that situation, chairman, is a visual inspection, an observation of the BOP.

STUPAK: Well, how about something as simple as -- well, then, there's no shear test that's performed on the sea floor. Right? There's no shear testing performed on the sea floor to cut this baby.

NEWMAN: During the progress of well construction operations and the routine testing that is performed, there is no test where the shear rams are actually subjected to a shearing test.

STUPAK: So, the ROV really just goes down and takes a look at it.

NEWMAN: It observes the external observation of the BOP.

STUPAK: OK. Is there any test to test to make sure the batteries are working, so you can view your kill switch that actually shut this thing down?

NEWMAN: Because the electronic signals which transmit back and forth between the rig and the BOP control system happen continuously, there would be an indication if the batteries were dead on the BOP. There would be an indication of that on that rig.

STUPAK: So you're saying you don't have to test it, because as long as the electrical lines are working, that would indicate whether or not the batteries are fully charged?

NEWMAN: That's correct.

STUPAK: On this case, in the one control panel that we were able to take a look at, the battery is supposed to be at 27 amps. It was at 18 amps. Did any of your testing show that it was under the 27 amps required?

NEWMAN: I don't have any indication, chairman, that the tests would have indicated that the charge in the batteries had dropped from 27 to 18.

STUPAK: Would you have documents that would show what the power or the amps of these batteries were? Do you have any kind of records that would show that?

NEWMAN: Unfortunately, chairman, those records would have gone down with the rig.

STUPAK: So, then, we have to take the word of those who looked at this control panel that the battery was basically dead and the dead man's switch would not work. Correct?

You have no records to dispute that. Right?

NEWMAN: Have no records.

STUPAK: OK. My time is up.

Mr. Burgess, five minutes for questions. We will do a second round.

BURGESS: Thank you, Mr. Chairman.

Mr. McKay, just to kind of get back to some of the specifics of the modifications of the blowout protector -- our what we know from, tab four in the evidence binder, modifications that had been discovered in the blowout protector system -- can you give us the specific modifications that were discovered in the BOP system?

MCKAY: What I was referring to yesterday is, while we were doing ROV, remote operated vehicle interventions as the crisis has unfolded, we discovered that there were modifications made.

I don't know personally whether those were the exact modifications that Mr. Newman referenced that were done in 2005, or there were additional ones. And I think that's a very, very important piece of the investigation.

We found leaking hoses. And, you know, the diagrams that we were using real time did not match the blowout preventer. So, that's...

BURGESS: Well, Mr. Newman, if I understood him correctly, suggested that those modifications were requested and were paid for by BP. So, it should be possible -- those records wouldn't have gone down with the ship, would they? We should be able to get that paper trail at some point established, should we not, if there were modifications that were requested? NEWMAN: I have

looked at the agreement that was signed between Transocean and BP. So, yes, we have a copy of that.

BURGESS: And you will make that available to the committee?

NEWMAN: Yes, sir.

BURGESS: And, Mr. McKay, will you look at your records and help us with...

MCKAY: Absolutely.

BURGESS: ... with trying to define that?

Let me just ask a question Mr. Waxman was asking about the negative pressure test. What -- one side read 1,400 psi, the other side read zero. What should the other side have read, if the pressure test had been absolutely perfect?

Yes?

MCKAY: The way I understand the configuration, that it was hydraulically connected such that the pressures on the choke and kill line and the drill pipe should have been the same.

BURGESS: The identical pressures. So that -- now, I'm just a layman. But that would indicate some obstruction that would not allow pressure to be transmitted from the drill line to the kill line, or vice versa.

MCKAY: Yes. I don't -- I can't speculate as to why. But they should have been reading the same, from the way they're hydraulically connected, from what I understand.

BURGESS: OK. And going back to the previous issue, committee staffers have been told by your staff, Mr. McKay, that when BP attempted to operate one of the blowout protectors' variable rams underwater, the device was either mislabeled or not labeled in the way that they anticipated. Is that correct?

MCKAY: That is correct. I don't know if that has anything to do with the modifications we requested or not, or whether there are different modifications. But it is correct.

BURGESS: Do you think that BP approved the modification?

MCKAY: I don't know. That's going to be a central part of the investigation, to understand what modifications were made.

BURGESS: If it was just mislabeled, you wouldn't have approved a mislabeling, would you, at BP?

MCKAY: We wouldn't have been involved in the labeling of them, no.

BURGESS: So, is there any reason why management wouldn't be aware of this? Why the labeling, why the discrepancy would exist?

MCKAY: Are you asking me?

BURGESS: Yes, sir. I mean, don't you have oversight over what happens...

MCKAY: Transocean owns those blowout preventers, and...

BURGESS: But you have oversight over Transocean in that (ph)...

MCKAY: They are our contractor, yes.

BURGESS: Let me -- I talked to the governor's office yesterday. I didn't talk to the governor, but I talked to some of his folks. And Mr. McKay, let me just ask you.

They are really concerned that they've got a coastline, because of indentations and excrescences that is much longer than you would think just looking as the crow flies on the Louisiana coast. They've got 7,700 miles of estuaries and coastline.

There's no way in the world that they have enough boom to manage the problems that they are facing. They tell us that they are having difficulty getting BP to authorize additional purchase of additional boom, and manufacture of additional boom.

It seems to me, this should be all hands on deck. Get the boom locally, get it from global sources. But wherever we can, let's get the boom put into position, and not go scrambling for it once the oil comes ashore.

Can you help me with that? Why is the governor's office feeling like they don't have an adequate supply of boom?

MCKAY: We are accessing, as I said earlier -- we've got 1.1 million feet on -- and deployed. We've got 2.4 million more feet coming. And this is under Unified Area Command as far as deployment under the Coast Guard's direction.

So, we are -- we have a supply chain cranked up to supply boom, as well. So that...

BURGESS: Just if I could suggest. I mean, I think there needs to be -- I was impressed when we went down there last week, the cooperation between BP and the Coast Guard and Unified Command. I've got no complaints about what I was seeing.

But the governor feels that -- or at least the person I was talking to in the governor's office -- feels that they don't have the ability to start the production line on that boom. And they're going to need a lot more than what they have.

MCKAY: I will do two things. One, I will check on that and make absolutely sure. Number two, I know of no limits from BP about getting stuff done in terms of boom, or anything else.

BURGESS: I appreciate your assurance that you will check on that personally.

The other thing is they don't have the ratio of liaisons to the number of parishes. There might be one liaison for eight parishes. That's not satisfactory. There needs to be a one-to-one relationship of the liaison to the parishes that are affected.

MCKAY: OK. Thank you.

STUPAK: The time has expired.

Mr. Markey, five minutes for questions, please.

MARKEY: Thank you, Mr. Chairman.

Mr. McKay, on Friday I flew over the spill. I saw a vast area of ocean covered in oil. This is oil from the Gulf. And we now see thousands of square miles with this awful sludge.

And although the spill started about 50 miles offshore, it has now reached the Louisiana coastline.

You are saying to us that BP is doing everything in its power to ensure that this spill is being stopped, and that you currently estimate that the leaking is 5,000 barrels of oil per day into the Gulf.

But this isn't the only rig that BP operates in the Gulf. In its oil response plan for the Gulf of Mexico, BP identified a worst-case scenario for exploratory well explosion from offshore drilling in the Gulf of Mexico, as a leak that would release 250,000 barrels of oil per day into the ocean about 30 miles off the coast of Louisiana.

The specific exploration plan that you provided to regulators for the Horizon well states, since BP Exploration and Production Incorporated has the capability to respond to the appropriate worst case spill scenario, I hereby certify that BP Exploration and Production Incorporated has the capability to respond to the maximum extent practicable to a worst case discharge.

So, right now, Deepwater Horizon well is leaking an estimated 5,000 barrels per day, about 2 percent of the worst-case scenario of 250,000 barrels, which your company assured the government, the American people, that it was capable of addressing in the Gulf.

So, if BP is already using every available resource to combat this spill of 5,000 barrels per day, and it can't stop this spill from worsening, then I can't understand how in the world you can certify that you had the capability to respond to a spill of 250,000 barrels per day.

Mr. McKay, you had better rethink your certification for a worst case spill of 250,000 barrels per day. Can you really say now, as you sit here, that that certification is accurate, that you can respond to a daily spill of 250,000 barrels per day?

MCKAY: What I would say is that we are responding with three drilling rigs, a surface response plan that was in place, detailed, and is the largest that's ever been put in place.

MARKEY: Are you saying to us that you would use exactly the same resources for a spill of 5,000 barrels per day, which is what we have now, as you would for a spill of 250,000 barrels per day?

MCKAY: Each spill would be specific. This particular one is complicated, that the emergency disconnect did not work on top of the blowout preventer, so we are still connected with a riser that's 4,300 feet long. We cannot get another blowout preventer on top of it right now, which would be the normal course, in something like normal, but something you could do if the rise was...

MARKEY: No, I understand that. But right now, BP is scrambling to find enough booms. You're going to use nylons and hair to soak up the oil.

I can only conclude that you really don't have the resources to respond to a spill of 250,000 barrels, and there are wells all over the Gulf that are ticking time bombs, that could result in spills of 250,000 barrels per day.

Do you really think that you can certify again, today, that you could respond to a spill of 250,000 barrels per day?

MCKAY: As I said, we're doing everything we can. I believe that we will learn things through this, there's no doubt. And I believe that those certifications will be with the knowledge that we have after this incident.

MARKEY: I just wish that you had a little more humility here today, and an admission that you don't have it.

You know, last week you tried to plug the leaks with a huge dome, which failed when it froze up. Now we're reading about a smaller top hat dome. If that fails, the solution looks increasingly desperate, to plug the leak with a junk shot of golf balls and old tires and knotted ropes, soaking up some of the oil with hair and nylons.

Each of your companies has represented itself as technology leaders in deepwater oil and gas exploration, and each of you now is flailing about with no clue about how you're going to get out of the mess that you've gotten yourselves into.

Top hats, golf balls, tires, hair, nylons -- these are not the response actions of companies who are prepared for the worst-case scenario accident and capable of carrying out that response plan.

The American people expect your companies to have a technological response to this disaster on par with the Apollo project, not Project Runway. And that's what they're seeing, night after night.

You need to do better, and you need to prepare for a worst-case scenario, for the ticking time bomb that could be out there somewhere off the coast of the United States.

Thank you, Mr. Chairman. STUPAK: Thank you, Mr. Markey.

Mr. Sullivan for questions, please.

SULLIVAN: Thank you, Mr. Chairman.

This -- this is a big mess. I realize that, you guys, it's tough to answer these questions. You're probably, if not already, going to sue each other, he'll be suing you. There's going to be litigation for years on this. A lot of money is involved.

And so I understand that it's tough to answer these questions, and it's easy to beat up on people when they're down in this situation, and so I'm not going to do that. I'm going to focus on something different. Even though I think it's bad, we're going to find out who did this, who's responsible, the investigation will be ongoing, and we'll deal with that then.

But I'd like to really focus on the solution right now. We can focus on the problem all day long. It's not going to get us anywhere. If someone is responsible, find it out. But let's focus on the solution.

I'd just like to ask you, you know, Mr. Newman and Mr. McKay, have you ever dealt with a blowout of this magnitude in the gulf ever before or even close?

NEWMAN: We've never dealt with a blowout of this magnitude in the Gulf of Mexico before.

MCKAY: No.

SULLIVAN: OK. And, you know, both of you are involved in this. It's your rig. You're the drilling -- you're working together. He's a contractor.

On the rig, who's quarterbacking the situation right now? Who's -- who's in charge? It's his rig, so if he's -- you have -- what do you call them, installation managers on the rigs or offshore installation managers? If he says something, can you override him? How's that working?

NEWMAN: The offshore installation manager on a Transocean vessel is the senior-most Transocean individual out there. That individual is responsible for the overall safety of the personnel and -- and -- and the vessel.

SULLIVAN: And what if, Mr. McKay, he says something, and -- do you accept that?

MCKAY: Yes.

SULLIVAN: OK. And, also -- so I know you got a lot going on, on the rig. There's people out there in harm's way, working feverishly to -- to get this to stop.

Also, we talked -- we talked about the golf balls, the hair, and all that. I know there's sophisticated efforts going on. Could either of you -- Mr. McKay, I guess you -- elaborate on what is going on onshore? Do you have a command center? What's that command center doing? They're working 24/7. Have you -- have you tapped into the industry, other companies, experts, the brightest in the world? What kind of technologies are they using? Is there video feeds from the floor there? What kind of stuff's going on?

MCKAY: We have -- well, we have several command centers. The source control is in Houston. And we have over 160 companies working with us across the industry, including our colleagues and partners, as well as our competitors.

We have the Department of Defense. We have the Navy. We have Sandia Labs. We have the brightest scientific minds in the world in these type of situations working on it 24/7. We have the highest technology in the world working this. As I said, we have three different drilling vessels, Transocean drilling vessels. We have 16 submarines operating continuously in some way or another, eight around the blowout preventer.

This -- this junk shot is actually a very sophisticated operation. A manifold has been constructed to be utilized in 5,000 feet of water. It's never been done.

The cofferdam was on hand. We had that cofferdam for shallow water. It's been utilized in deep water. It has hydrate problems, as people know.

On the surface, we're using technology with the latest dispersants. We're using subsea dispersal, which we think is extremely effective from initial tests, and we would like to get continuous injection going on that. It is extremely high tech, and -- and the best minds in the world are working it 24/7.

SULLIVAN: And all these -- all these companies here and others are involved right now as we speak?

MCKAY: That's right. That's right.

SULLIVAN: Do you have -- right now, are you -- are you drilling wells right now to go into two of them, I guess?

MCKAY: We're drilling two relief wells right now.

SULLIVAN: OK.

MCKAY: Well, one has started. The other will start this weekend.

SULLIVAN: And with that -- I guess the coffer or the cap would be Plan A. Was Plan A -- would you consider that?

MCKAY: The cofferdam had hydrate problems, so we are working on a secondary dam for subsea containment right now.

SULLIVAN: So do you have a variety of plans going, a multiple approach right now in case one fails?

MCKAY: Really quickly, we have -- we have different levels. We're attacking at the subsurface with -- with -- this is the permanent securing with the relief wells. We have the blowout preventer, which is top kill, is what we call it. Then we have the containment and collection system subsea. We have several things working on that.

And then we have the aggressive on-the-surface attack, which is trying to fight it as far offshore and then protect the shoreline, then clean up whatever gets to shore.

SULLIVAN: And how -- when do you think this is going to stop?

MCKAY: Well, we're working every second to get it stopped as fast as possible. And there are -- there are viable options being worked that could work in the next few days to couple of weeks. And then, ultimately, the permanent securing would be, you know, up to three months or so.

SULLIVAN: OK. And those wells you're drilling right now, how -- how are those going to plug this well? How -- how -- how would that do it?

MCKAY: We will drill and intersect the well near the -- near the -- just above or right into the reservoir horizon and pump heavyweight kill fluid to kill that well.

SULLIVAN: OK. And that could take, you said, two months?

MCKAY: It will take -- it probably will take three months to get there in terms of the relief well.

SULLIVAN: OK. And that would work? That would work if you were there right now?

MCKAY: It's the normal way to kill a blowout around the world, as -- permanently secure it, yes.

SULLIVAN: OK. Thank you. I have no more questions.

STUPAK: Mr. Sullivan.

Mr. Braley for questions, please?

BRALEY: Thank you.

Gentlemen, I want to focus on the last two minutes at the Deepwater Horizon well right before the explosion that triggered this catastrophic event, because when I go over this accident in my head, I try to understand what was in place to protect the workers from a sudden event like this blowout. And I'd like to talk about what happened just before the explosion.

Can we bring up the Halliburton data stream on screen at this point?

Mr. Probert, you testified that part of your function on this particular well was to provide real-time data collection. Is that correct?

PROBERT: That's correct.

BRALEY: And your company produced this particular chart to us as part of the contract you had with BP to perform monitoring of the mud and other data on this rig. Is that your understanding?

PROBERT: That's correct.

BRALEY: Are you generally familiar with how this type of a chart is used in well-monitoring?

PROBERT: Generally, yes.

BRALEY: Generally. What this chart shows is what was happening inside the well and on the rig in the final two hours before the explosion. And if you look, this chart is broken down into time intervals that are recorded, beginning at 2010, which would have been 8:10 p.m. that evening, correct?

STUPAK: Mr. Braley, if I may, it's exhibit number five.

There should be an exhibit book there, if you want to look at it, Mr. Probert.

I'll give you a little extra time here, Bruce.

Hopefully that helps you out a little bit. It's exhibit number five. Go ahead.

BRALEY: This covers a data interval from 2010, or 8:10 p.m., on April 20th to 2150, which would have been 9:50 that evening. Is that the timeframe we're talking about?

PROBERT: It would appear to be so, yes.

BRALEY: Yes. And if you look at this chart, there are several abnormal appearing entries where a line dramatically goes vertical during a time interval between 2146 and 2148. You see that?

PROBERT: I see that.

BRALEY: And what this suggests is that the pressure in the standpoint -- in the standpipe at that moment shot up from 500 PSI, pounds per square inch, to almost 3,500 PSI in the space of about two minutes, and that was immediately before the explosion, correct?

PROBERT: That's immediately before the control -- the contact was lost with the rig, yes.

BRALEY: Right. So, Mr. Probert, this is your company's data. What does this tell us?

PROBERT: What it says is that, at some point, within two minutes or so of the loss of the transmission, that there was a significant increase in standpipe pressure.

BRALEY: All right. And what's the significance of that to people monitoring this well for safety and security reasons?

PROBERT: The -- the -- the significance of this to all parties who would have had access to this data and also standard gauges which were -- which are present on the rig would show there will be -- this would be a significant red flag.

BRALEY: And in addition to gauges and this printout, are there any other type of built-in safety devices that would trigger a shutdown of the rig?

PROBERT: I would have to defer that question to -- to Mr. Newman as to whether or not there were any shutdown processes on the rig.

BRALEY: All right. Mr. Newman, are you prepared to answer that question?

NEWMAN: If you could rephrase the question for me, Representative, I'd be happy to take a -- take a shot at it.

BRALEY: Well, have you ever had surgery, Mr. Newman?

NEWMAN: I have had surgery.

BRALEY: And right when you're undergoing anesthesia, one of the last things that happens before you're put under is they put a pulse oximeter on your finger to monitor your oxygen saturation level. Do you remember that, a little device that goes over your finger?

NEWMAN: The surgery I underwent, sir, was a bit traumatic, and I was -- I was effectively incapacitated in advance of the surgery, so I don't remember...

(CROSSTALK)

BRALEY: All right. Just accept for the purpose of my question that's what happens to most people, that they actually do monitor your oxygen saturation because they don't want you to die on the operating table, OK?

NEWMAN: I'll take your word for it, sir.

BRALEY: And there are built into that machine that the anesthesia uses alarm defaults, when your saturation level gets to a certain level that it's considered hypoxic, everybody in that operating room needs to know that, OK? My question for you is, in this particular setting, what type of alarm bells, whistles, alerts, other than a pressure gauge, do people working on that rig have available to them to tell them they've got a catastrophic problem that's unfolding?

NEWMAN: Well, there are a number of early warning indicators that are present on a drilling rig that would alarm, for the individuals who are monitoring those, to give them an indication. Which particular alarms would have been triggered in this instance depends on exactly what was happening, and I don't know the answer to the question about exactly what was happening.

BRALEY: How do we find out that information? How are those alarms recorded? What logs are kept? And what additional information do we know to get to the bottom of what was transpiring on that rig?

NEWMAN: The alarms are monitored on the rig through what we refer to as VMS, a vessel management system. Those -- those alarms are logged, and a record is kept of that, but that -- that VMS exists only on the rig. It's not transmitted off the rig. And so the VMS system, along with the logs of the VMS system, would have gone down with the vessel.

BRALEY: So you have no mirrored backup data device so that that information is recorded at some other location than on the rig itself?

NEWMAN: We do not have real-time off-rig monitoring of what's going on, on the vessel.

BRALEY: Do you think that's a failure in the fail-safe system that is currently used within the industry to help understand the events of a catastrophe like this and learn from it?

NEWMAN: Because those -- the decisions regarding continuation of the drilling operations or suspension of the drilling operations are typically taken at the rig site, the first place we want those alarms present is at the rig site.

BRALEY: But you're aware that technology exists -- it's used everyday in businesses all over the country -- where as soon as a bit of information is recorded at a central location, it can be immediately recorded at a distant site, just to avoid this type of catastrophe from preventing that information from being lost forever?

NEWMAN: I'm aware of that technology existing. And, in fact, the reason we have the records you're showing us now are because that technology was employed on this particular operation.

BRALEY: For this function that we're seeing on this chart, but not the other recorded data that you've described in your testimony?

NEWMAN: Not a real-time replication of the alarm logs.

BRALEY: All right. Thank you.

STUPAK: Mr. Braley.

Mr. Griffith for questions? GRIFFITH: Thank you, Mr. Chairman.

Is it -- what would have led to the discrepancy between the blowout protector and the -- and the plans or the diagrams of the blowout protector, the differences? And if, in -- and if, in fact, there was a difference, was it a factor in whether or not this well could have been capped immediately?

MOORE: Congressman, do you want me to respond to that or...

GRIFFITH: Please, Mr. Moore.

MOORE: OK. We -- we were first aware of those changes when we were in the crisis room with BP, when we were trying to function the -- the blowout preventer. But, honestly, we do not know whether those would have any impact on -- on whether the BOP would function under the circumstances that it was put in. It's -- we just don't have enough information yet to know the answer to that.

GRIFFITH: Thank you. How -- how long had this -- the Horizon been -- been operating?

MOORE: The Deepwater Horizon went into service in 2002.

GRIFFITH: So it's been operating safely for a good while?

MOORE: The Horizon has drilled approximately 72 wells over that eight-year history.

GRIFFITH: And at the ocean floor, at about 5,000 feet, which is approximately a mile, you continued down another 13,000 feet, another two-and-a-half miles to the reservoir? Is that accurate?

MOORE: That's an accurate description of the well geometry, yes.

GRIFFITH: And so -- so this -- this rig has had an exemplary safety record, in a sense, as far as its ability to drill and -- and recover natural resources. Is that fair?

MOORE: I think that's a very fair assessment, Congressman. The Deepwater Horizon had a seven-year history with no lost-time accidents. The Deepwater Horizon in its past set the record for deepwater operations for a semi-submersible, and the Deepwater Horizon currently holds the record for the deepest well ever drilled in the industry.

GRIFFITH: So we've got a piece of engineering that has been fairly successful. And so as we hear testimony and questions about what red flags went up as a -- as a gentleman referred to on oxygen saturation, over a period of years the safety mechanisms and the correction mechanisms on this piece of equipment or this well have been significantly tried and found to be successful in most cases.

And I guess my question or my statement would be that there's probably going to be a series of facts that all came together at a certain time that led to this tragedy. And we, of course, are well aware of how things can happen after the fact, and we can point fingers and, goodness gracious,

America has lived through 9/11, to go back over all the things we could have done to keep that from happening.

Things seem to have happened all at -- at an opportune time, and the stars lined up. And so we are really interested in your future as far as drilling is concerned. And what is being done with -- on other wells around the nation and internationally to -- to double check and see if all of our proper safeguards are in -- in place?

Mr. McKay?

MCKAY: Well, I can say that in our international rig fleet, we have notified and increased the scrutiny under -- on the blowout preventers. We've incrementally added some testing to it to make sure the ROV on board the ship will be able to actuate the blowout preventer, should it need to. And we've recommended and given some ideas to the MMS on what maybe could be considered to enhance, at least, preparation and -- and testing around these things.

GRIFFITH: In the reservoir that -- that you were tapping into, the dynamics, the hydraulic and the fluid dynamics, of that reservoir -- do those change significantly over time as -- as pressures change, or is that pretty well a known and constant fact, or is it a variable on a day-to-day basis?

MCKAY: On this particular...

GRIFFITH: Yes.

MCKAY: ... this particular reservoir is -- we don't have much data on it. It -- it -- generally, reservoirs are different at different depths and different pressures, so that you can encounter them in different ways. The characteristics of this reservoir is difficult, because we're -- we don't have any measurements on it in terms of pressure, but, you know, it looked to be a -- just -- just so everyone understands, it was not a particularly difficult well to the sense of its pressure. It wasn't an over -- very much over pressure.

GRIFFITH: Thank you, Mr. Chairman. I yield back my time.

STUPAK: Thank you, Mr. Griffith.

Ms. DeGette for questions, please?

DEGETTE: Thank you so much, Mr. Chairman.

Mr. Probert, I was a little curious listening to your opening statement that you felt compelled to respond to my opening statement when I talked about the MMS study that said nearly half of all blowouts in the Gulf since 1992 were due to faulty cementing. The good news, you said, is only one of those incidents occurred in water depths over 400 feet. So I've got a couple of questions.

First of all, how many of the wells drilled in the Gulf over this period were at depths over 400 feet?

PROBERT: I think, if I can provide some clarity to that...

DEGETTE: No, I'd like a short answer, please. How many wells were over 400 feet?

PROBERT: I don't have that data. That data is available from the MMS, though, if you would like me to get it...

DEGETTE: Was -- was it more or them or less of them?

PROBERT: I'm sorry?

DEGETTE: Was it many of them or few of them.

PROBERT: I do not know without reference...

DEGETTE: You don't know. So are you saying that since there was only one blowout incident at depths of over 400 feet, you think that there is no risk for cementing for deepwater drilling?

PROBERT: No, I think what I was trying to point out, because the subject of our study here clearly is deepwater Gulf of Mexico, I was trying to provide a reference point for the -- for the committee with respect to the data which the MMS has provided to us.

DEGETTE: So -- so what you're saying is you're not saying -- you are saying that there still could be a risk, that it's not just because it's over 400 feet, right?

PROBERT: I'm sorry, I...

DEGETTE: You're saying -- you're saying that there still could be faulty cementing over 400 feet.

PROBERT: I'm -- I'm just... DEGETTE: Yes or no.

PROBERT: I am simply replying to...

DEGETTE: Yes or no.

PROBERT: No, I'm simply replying to...

DEGETTE: Thank you. Now, are you arguing that cementing is actually safer at offshore wells with depths over 400 feet?

PROBERT: I'm sorry. I didn't understand your question.

DEGETTE: Are you arguing that cementing is actually safer at offshore wells with depths over 400 feet?

PROBERT: I would say the -- the information would suggest that, yes.

DEGETTE: It is safer?

PROBERT: According to the statistics, yes, from the MMS.

DEGETTE: Because there have been few leaks?

PROBERT: No, it's a function of the depth of the water and what causes and how the well construction process has been taken between deep water and shallow water.

DEGETTE: OK. So -- so you don't think we should then worry about the cement at the deeper ones.

PROBERT: That is not what I said.

DEGETTE: OK. And, you know, I -- I do agree with you on one point. And the point I agree with you on is there are very few accidents, and that's the good news. But the bad news is that if there is an accident in this case, if there's faulty cement, if there's other problems, then the results of that are catastrophic. Would you not agree with that? Yes or no.

PROBERT: To the extent that cementing was an issue, if you're referring to this particular incident...

DEGETTE: Would you agree that if there is a -- if there is a faulty -- if there's a leak, that the catastrophic results are such that we should -- that -- that even though there's very few accidents, we should try to avoid those? Yes or no.

PROBERT: I do not agree with your assertion, no.

DEGETTE: You don't agree with that. OK. So it's a risk that we should be willing to take.

PROBERT: I'm sorry that I'm -- I'm not getting -- you have to restate your question. DEGETTE: Well, let me move on, then.

You said that both positive and negative pressure tests were conducted on the cementing job in your testimony. Several experts have stated that a cement bond log test might have additional -- indicated additional weaknesses, such as that the cement had not hardened properly. So I want to ask you was the cement bond log test conducted at this well? Yes or no.

PROBERT: To the best of my knowledge, the -- the...

DEGETTE: Yes or no.

PROBERT: Well, to the best of my knowledge, the well owner did not request a cement bond...

DEGETTE: No. Is it true that a cement bond log would provide assurance of the integrity of the cement bond?

PROBERT: The cement bond log is certainly the only realistic way of assessing the bond of the...

DEGETTE: So that answer would be yes, correct?

PROBERT: Correct.

DEGETTE: Mr. McKay, is it BP's standard practice to only use basic pressure tests to evaluate a cement job?

MCKAY: I can't -- I can't speak directly to this particular well, but what I can say, cement bond log...

DEGETTE: I didn't ask you. I asked you your standard practice. Is it BP's standard practice to only use basic pressure tests to evaluate a cement job?

MCKAY: I believe every well is engineered individually, so I don't -- I can't answer a standard practice for this type of...

DEGETTE: So your answer is you don't know?

MCKAY: Can I check with my technical experts?

DEGETTE: I would, absolutely.

And, Mr. Chairman, if he could supplement his answer, that would -- I'd appreciate that.

MCKAY: The cement bond logs are not required on every well. They are -- they are utilized when there -- when there is an indication of a problem.

DEGETTE: Why did -- why did BP not pay for a bond log test on this well?

MCKAY: The -- because the -- the better way to test -- there are positive and negative tests. Cement bond log is an inference of bond, not an actual test of bond.

DEGETTE: OK. Thank you very much.

STUPAK: Thank you, Ms. DeGette.

Ms. Sutton for questions, please?

SUTTON: Thank you, Mr. Chairman.

And I have a lot of questions, so if -- please, stick to -- to the question. And if not, if you don't know the answer, just say, "I don't know," and we'll move on.

What was BP's operating budget in 2009?

MCKAY: Operating budget where -- worldwide?

SUTTON: Sure, worldwide.

MCKAY: We had -- we spent about \$20 billion investment capital.

SUTTON: OK. And what percentage of that 2009 budget was devoted to safety and preventative measures related to deepwater spills? Do you know?

MCKAY: I don't know.

SUTTON: OK. How much does BP invest in research and development and the management of deepwater spills? Do you know that?

MCKAY: I don't have a number.

SUTTON: OK. How many deepwater wells does BP operate in the Gulf?

MCKAY: I don't know the number of wells, but it's quite a few.

SUTTON: Well, quite a few is a very big term. Can you give us any indication?

MCKAY: We've -- there -- can I give you an indication? There's been several thousand deepwater wells drilled in the world, and we've been in about 30 percent of them.

SUTTON: OK. And how many on the outer continental shelf? Do you have a better idea there?

MCKAY: Well, we are only in the deepwater on the outer continental shelf.

SUTTON: All right. Very good. How many of those deepwater wells are operated by platforms least from Transocean?

MCKAY: We have -- currently, we have three Transocean rigs working. SUTTON: OK. What actions have been taken currently to ensure that this is not a systematic failure in regards to the operation of the platforms in a similar situation?

MCKAY: We have -- what we've done, as I said earlier, we've instituted some tests, incremental tests on blowout preventers, and we've asked for any modifications that may have been made in the history of the provenance of the blowout preventer.

SUTTON: OK. So testing and asking about modifications, that's the sum total. OK. What is your spill response capability right now on the outer continental shelf? I know we've heard a little bit of discussion about this, but...

MCKAY: We have 300 vessels, skimmers and other professional vessels for spill response operating. We have a million feet of boom to pool it. We have 2.4 million being staged or accessed around the coast, and we have a supply chain being ramped up to be able to sustainably supply 200,000 to 300,000 feet a week.

SUTTON: OK. What blowout safety devices do you have on the oil rigs in the North Sea?

MCKAY: I've -- I've not worked in North Sea in a long time, but similar -- similar blowout preventers for the water depth condition and the reservoir conditions that are utilized in the North Sea.

SUTTON: Well, when you say similar, that's different than the way understand it, so I'd like a little clarification, because my question would be why don't we use the same thing in the Gulf, OK? So would you clarify that for me?

And what is your contingency plan for these wells in the depth of the water -- if the depths of the water causes the question of how to stop the leak? What is a contingency plan? We've heard a lot about things we're trying now, but what is a contingency plan?

MCKAY: We have a -- we have a spill response plan that's filed with the -- with the government. And it sits underneath -- underneath the National Contingency Plan and the One-Gulf Plan. That indicates the equipment that's around the Gulf Coast to be utilized and the priorities and the -- and

the organizational structure to utilize it. That has formed the foundation of this, and it was approved last June 2009.

SUTTON: OK. Will BP now keep cofferdams on the coast of all their platforms to increase their response time in the face of such events?

MCKAY: I think as we -- as we learn the lessons from this, I do think there will be subsidy intervention capability that would need to be looked at for the industry as well as ourselves, yes.

SUTTON: OK. Mr. McKay, BP has stated, and I think you did here today, that you'll pay for all legitimate claims resulting from the spill. What does BP define as a legitimate claim? MCKAY: We -- we have been very clear that we will pay for all legitimate claims, and legitimate claims are folks who are impacted or businesses that are impacted and there's a substantiation of impact. And that is legitimate claim.

SUTTON: OK. So does that include the loss of profits for fishing and tourism?

MCKAY: Yes.

SUTTON: OK. And will BP commit to exempting itself from any cap on their financial responsibility for damages resulting from the spill?

MCKAY: Yes, we've talked. No cap.

SUTTON: OK. BP has stated that they are very positive that the relief wells will work. Do you concur? That's what they...

MCKAY: We're confident that they will work.

SUTTON: OK. How many attempts did it take for the relief wells drilled in Montara -- the Montara spill to work?

MCKAY: I'm not familiar with the details of that. I've heard multiple relief wells.

SUTTON: Four -- four, I believe. Does BP expect to have the same difficulty and delays in drilling the relief well for a far deeper well? You can understand why ask the question.

MCKAY: We -- we do not expect that, but we have the capacity to sidetrack these wells, and we have the -- they are set up to be able to have multiple attempts.

SUTTON: OK.

And as I said, Mr. Chairman, I have a lot more questions for the rest of our presenters, and I'll hold them for the second round.

STUPAK: Very good. We'll be going a second round.

Ms. Schakowsky for questions, please?

SCHAKOWSKY: I'm wasting my time here. Let's see. And time was a critical element in this -- in this disaster. It's possible that a rapid response on the deck of the rig could have prevented the

catastrophe that continues today, and a faster response by BP and Transocean might have reduced the size of the leak or cut it off faster.

But we learned during the course of our investigation that, again, the critical modifications -- we've talked about modifications -- to the blowout preventer may have delayed significantly the response and might've been responsible for the failure of the device. Mr. McKay, your company documents describe modifications that were made to the blowout preventer device. We were told by James Dupree, who runs your Gulf of Mexico operations, that you found a major modifications to the system. In one case a module that was supposed to be connected to a critical piece of equipment called a bore ram -- that's assigned to steel pipe, any piece of pipe in the -- in the well -- was instead connected to a test ram that does not function in an emergency situation. Do you agree with that finding?

MCKAY: I was not in that review, but I know that's what Mr. Dupree said, and he should know, yes.

SCHAKOWSKY: So yes. In -- in another case, two independent controls for rams were wired into a single control, possibly increasing the risk of failure. Is that correct?

MCKAY: If that's what Mr. Dupree said, that's what he discovered with Transocean and Cameron and other folks in the intervention.

SCHAKOWSKY: My understanding is that, because of these modifications, you lost nearly 24 hours attempting to activate the controls on the -- on the bore ram. Is that correct?

MCKAY: We -- we discovered leaks and other things, the modifications that didn't match the drawings, as we were doing these interventions, and it did delay things, yes.

SCHAKOWSKY: So a useless test ram -- this is -- I'm quoting now from the chairman -- not the variable bore ram had been connected to the socket that was supposed to activate the variable bore ram. So it -- this was a useless test ram that you spent 24 hours trying to get at, right?

MCKAY: If that's what Mr. Dupree said.

SCHAKOWSKY: So my understanding that this -- time is essential in an emergency response like this one, oil and gas is surging through the blowout preventer, it acts like a sandblaster, I'm told, and can degrade the rubber seals on the bore ram, if you can't activate it quickly, the seals may not function properly, is that correct? And could this delay have an impact on the response?

MCKAY: I think that's a question for Mr. Moore or Mr. Newman. I don't know.

SCHAKOWSKY: Mr. Moore, you made the blowout preventer. Is it true?

MOORE: Correct. If -- depending on what's flowing through that well, it could have abrasive materials that could -- could take the elastomer elements and -- and destroy them.

SCHAKOWSKY: So a 24-hour delay allowing this sand and stuff to come out could have -- could do that, could...

(CROSSTALK)

MOORE: Depending on what's in it. I'm -- I'm not aware of what -- what materials were in the flow area, so it would depend on what's in it.

SCHAKOWSKY: But it could?

MOORE: It could.

SCHAKOWSKY: So, Mr. Newman, no one on this panel has actually owned up to making mistakes, during this hearing. But the failure to connect the bore ram to the control model -- module, that seems like a mistake to me. Do you agree that this was a mistake and that you are concerned about possible implications of the mistake on the response?

NEWMAN: If I could clarify your question, Congresswoman, the...

SCHAKOWSKY: I think it was a pretty clear question. Is this a mistake that was made, that it was connected -- that the bore ram was not connected to the control model? Is that a mistake?

NEWMAN: In the original configuration, when the BOP system was delivered from Cameron, the ROV port was connected to the lower-most ram cavity. It is today connected to the lower-most ram cavity.

SCHAKOWSKY: Was it a mistake that it was connected to a useless -- in this case useless test ram in terms of preventing the disaster? This is a very simple question. Someone clearly made a mistake. Was this a mistake?

NEWMAN: In the event that the ROV port is connected to the lower-most ram cavity, and the lower-most ram cavity is outfitted with a BOP test ram, that will not serve to restrict or seal off the flow of hydrocarbons from the well.

SCHAKOWSKY: So in that case, having it connected to that, would that be a mistake?

NEWMAN: It would be a mistake to rely on that in a well control situation, yes.

SCHAKOWSKY: Thank you.

So I have very serious concerns about the modifications that were made. Transocean's made modifications to the blowout preventer and could not provide B.P. with accurate specifications when it matters most. We don't know yet if these modifications actually caused the failure, but what we do know that they caused delays in trying to stop the oil spill and identify its cause, which is very, very serious.

Thank you, Mr. Chairman.

STUPAK: Thank you. That concludes questions of all the members of the subcommittee. There are members of the full committee who've been here, and we appreciate them being here throughout this hearing. We'll go turn to them for questions before we start round two. We do plan on doing round two of questions.

Mr. Scalise, for questions, please, five minutes?

SCALISE: Thank you, Mr. Chairman, as well as Ranking Member Burgess, for allowing me to ask questions to the panel.

We, of course, all in south Louisiana are fighting every day to not only do what we can to urge and push B.P. and all the parties involved to stop this oil from leaking into the Gulf of Mexico, but also to prevent it from coming into our marshlands and our seafood beds that's such a vital part of Louisiana's culture.

And clearly, as we look at -- at all of the things that are involved in the working coast, that -- that the Gulf of Mexico and south Louisiana is, it's not just an area where 80 percent of all the continental drilling and exploration is done for the United States, but it's also an area where many people make their livelihoods in the seafood industry, and -- and that's all at risk right now.

And it's another reason that it really underscores why those of us in south Louisiana have been pushing to get our fair share of royalties. We don't get that same share of royalties for the drilling that's done off of our coast as every other state gets, and this is a glaring example of why it's so critical that we do get to finally participate in the revenue sharing and -- and not wait until 2017, but do that immediately, because this has a dramatic impact on our livelihood.

I have a number of questions for the panel that I'm going to get into. I also have a number of questions for MMS, which I wish we had the opportunity to ask, as well.

We had a closed hearing where they were asked some questions, but unfortunately, they've never participated in a public hearing. I've asked them for a number of documents that they've yet to get me on exemptions that have been granted on various processes related to the Horizon, as well as other exemptions that they've given in the past.

But let me ask you, Mr. McKay, can you tell me how many exemptions were requested for all the activities related to this well and how many were granted by MMS?

MCKAY: I'm not sure I know what you mean by...

SCALISE: Exemptions to various processes. It's my understanding that you were given exemptions on environmental impacts...

(CROSSTALK)

MCKAY: Can I explain that real quick? The categorical exclusion that's talked about is because environmental impact statements have already been done. They're done with the lease sale by the government. Then...

SCALISE: So did you not get an exemption on that?

MCKAY: You file for a categorical exclusion because those environmental assessments have been done, yes, and we did them.

SCALISE: So you did file for that and you were granted that by MMS? MCKAY: Yes.

SCALISE: OK. Were there any other exclusions or exemptions that you filed for -- through MMS for this particular well?

MCKAY: Not that I know of, but I may not know of everything.

SCALISE: And as you find out any of them, please get those to me. I've asked that same information from MMS. I've yet to receive it.

MCKAY: OK.

SCALISE: So hopefully they'll be forthcoming in that, as well.

Mr. Moore, the BOP that's so in question here, there have been a number of studies done. I've got a study that goes back to 1999 that was performed for MMS. There's another study in 2004 that was done for MMS that described various problems with blowout preventers, not just in the Outer Continental Shelf, but also looking at other places around the world where they're used in deep water.

Are you familiar, first of all, with these studies?

MOORE: Our teams are familiar with those studies, yes.

SCALISE: Have you all made any changes in the design of the blowout preventer over the years as these deficiencies have been identified?

MOORE: Well, most of those reports cover the results of testing in the field, which is very regimented, and its component failures that would result from -- it could be maintenance. It could be just the life of -- you've got a blowout preventer that has over 100,000 moving parts. They -- they do from time to time have to be serviced and replaced. And so that's what those testing of components...

(CROSSTALK)

SCALISE: Serviced and replaced, but in terms of design change -- and let me read you one section. This is the 1999 study on page 13. It said it was decided not to pull the BOP to repair the failure after MMS had granted a waiver.

The failures in question were typically failures in components that were backed up by another component in the BOP stack. So what it seems to indicate is, because they're multiple redundant systems, if they found a problem in a bop, they would just say, well, there's other redundancies, so don't worry about that problem, because something else will catch it.

That doesn't seem to me to be a good process to handle a problem with a BOP, if you've got five redundant systems and one of them fails, to say, well, we've got four others. It'd seem to me you'd go and fix that problem.

MOORE: Well, I think those problems are repaired when the -- when the stacks are put back to surface, if it's a deepwater stack.

SCALISE: OK, it didn't seem to be the case in this one, but I move on to my next question.

Whether it's Mr. Newman or McKay, how many times were operations shut down on the B.P. Horizon, the -- their drilling that was done on the Horizon in relation to this well? Do you know

how many times operations were shut down because of various problems? Start with Mr. Newman and then ask Mr. McKay.

NEWMAN: During the life of the Mississippi Canyon 252 well...

SCALISE: That's correct.

NEWMAN: ... I don't -- I don't have a record of how many times operations were suspended.

SCALISE: OK. Mr. McKay?

MCKAY: I'm sorry. I don't know.

SCALISE: OK, well, let me ask you about a few specific problems. There was a story in the Times-Picayune, the New Orleans newspapers, yesterday that does into detail. They actually started interviewing some of the people that were working on the well, talked about problems that go back to weeks prior to the explosion.

They said a constant theme was that gas kicks were more frequent in this oil field than others and the crew worked on and members were concerned. Quote, "One gas kick that occurred as they got towards the bottom of the hole, approximately 10,000 feet below the floor, had such a large kick that they had to shut down operations. They were concerned about spark sources on the rig at the surface so they had to shut it down, because there were so much -- there was so much gas coming out of the rig and they were afraid of the explosion."

Now, are you familiar -- that was according to this report a few weeks prior...

STUPAK: Mr. Scalise, this will have to be your last question.

SCALISE: OK. Do -- do you know about that, that shutdown? And can you get me a list of all of the times that this rig was shut down due to various problems prior to the explosion?

And thank you, Mr. Chairman.

STUPAK: We look forward to that information at later time. You may want to put that in writing, because we'll have 10 days after this hearing to submit further questions in writing.

A member of the subcommittee, Mr. Green, for questions, five minutes please?

GREEN: Thank you, Mr. Chairman. Mr. Newman, it's recently been reported that some of the Transocean workers that were rescued from the drilling platform were told to sign statements denying they were hurt or witnessed the blast before they were allowed to contact their families and leave and literally were just rescued.

Additionally, Mr. McKay's testimony, he mentioned how B.P. is speaking to those witnesses they have, quote, "access to." Can you comment on the statements that these employees were forced to take? And is there a copy we could see?

NEWMAN: We absolutely will provide the copy of the statements. And I can categorically deny that they were forced to sign.

GREEN: OK. Well, we're just going by pressure ports. That's why you all are here today. And believe me, we know sometimes it's not always accurate.

Will Transocean make all these workers that were on the rig at the time of the explosion fully available to investigators?

NEWMAN: Congressman, we -- we -- we want to understand what happened just as badly as Congress does, and we will make anything available that will help in understanding what happened.

GREEN: OK, I appreciate that.

Mr. Newman, Halliburton maintains that their seamen and personnel were instructed to record the drill pipe pressure test, but that the drilling operator told them that the negative pressure test had been already -- had already been completed and they would put on standby. The drilling contractor then proceeded to displace the riser with seawater. Is it common for the drilling contractor to perform the duties of the subcontractor? And why did it happen in this case?

NEWMAN: I don't believe that the drilling contractor -- in this case, Transocean -- performed the duties of any other subcontractor.

GREEN: OK.

Mr. McKay, in your testimony, you acknowledge that B.P. is one of the leaseholders and the operator of the exploration well has acknowledged it's responsible in the clean-up and will pay all legitimate claims.

And I know just from experience, nobody has -- nobody can afford to drill those wells without partners. And it's been reported in the press other minority leaseholders as Anadarko and Mitsui Oil Exploration. Is that correct?

MCKAY: That is correct.

GREEN: OK.

Mr. Probert, you said that, contrary to earlier reports, the final cement plug in the well was not set, and the plug would have been the final barrier before the well -- before the well would have been temporarily suspended. Is this correct?

PROBERT: That is correct. It would have been necessary to set that plug before the blowout preventer could have been removed and the well secured.

GREEN: OK. And you said that the Deepwater Horizon rig met or exceeded the number of safety devices required by the federal government, including an independent method of making the blowout preventer function, correct? Is that correct? Or the method of making the blowout preventer function?

PROBERT: I think that may be best directed at Mr. Newman.

GREEN: OK.

Mr. Newman?

NEWMAN: The blowout preventer and the BOP control system on the Deepwater Horizon were fitted with a number of methods of activating the BOP.

GREEN: OK.

NEWMAN: Manual activation from the rig. And where the regulations require two independent stations, the -- the Horizon was actually fitted with three independent stations.

NEWMAN: The -- in addition to manual activation, the blowout preventer control system on the Horizon was fitted with two automatic response systems, one of which the industry refers to as a dead man, and the other one is -- is referred to as an auto share. Those are two systems, under certain conditions, the BOP will automatically respond. And the BOP was also fitted with ROV intervention, remote- operated vehicle intervention.

GREEN: OK. And I understand there's lots of redundancies -- also, the benefit of East Harris County, I have lots of unofficial consultants who are chemical engineers -- and there's lots of redundancies built in. And -- and you confirmed that the blowout preventer device, that it was supposed to shut off the oil flow in the ocean floor, but it did fail.

NEWMAN: It has not been effective in shutting off the flow.

GREEN: OK. Thank you.

And then you go on in your testimony to say that there's no reason to believe that the blowout preventer wouldn't work and it might have been clogged by debris shooting up from the well. Is that correct?

NEWMAN: I believe that's a possibility that needs to be investigated.

GREEN: Now, I understand your argument that the well has been sealed with casing and cement. And within a few days, the blowout protection would have been removed. And according to you at that point, the well barriers, the cement and casing, were responsible for controlling any pressure from the reservoir, so the BOP's failure could not be held responsible. Is that a statement you made?

NEWMAN: The ineffectiveness of the BOP to control the flow is not the root cause of the event.

GREEN: OK. So the cement plug would have to be set before -- before the blowout prevention could be removed?

NEWMAN: Setting a cement plug is -- is a normal process of abandoning the well.

GREEN: OK. And I know it's too soon, because the blowout -- to know exactly what happened with the blowout prevention, but there are lots of redundancies. And, again, this is not the first well we've drilled in deep water Gulf of Mexico.

And some folks I know in the industry maintain that, even with the debris, the blowout protection should have still worked. After all, it's a secondary means of controlling pressure, if the drilling mud is inadequate. Is that generally correct, it should have worked, the blowout preventer?

NEWMAN: Provided that the BOP was asked to function within its design specifications, there's no reason to believe that it would not have worked within its design specifications.

GREEN: OK.

Mr. Cameron (sic), would you like to comment?

MOORE: I would agree with his comments.

GREEN: OK.

Thank you, Mr. Chairman, for your time.

STUPAK: Thank you, Mr. Green.

Mr. Newman and Mr. McKay, Mr. Scalise had asked a question the minority would like to see if you guys can answer it. He asked -- his last question was, six weeks ago, according to the Times-Picayune newspaper, that six weeks ago there was a gas kick and the operations were shut down.

Do you have any information on that shutdown when you had the gas kick about six weeks ago? Is that a fair assessment of your question? Mr. McKay, do you have any information on that?

MCKAY: I'm not aware of that, but we will get the data to the committee.

STUPAK: OK.

Mr. Newman?

NEWMAN: I'm not familiar with the specific circumstances of that particular incident.

STUPAK: OK.

OK. Then I would next turn to Mr. Stearns for questions, a member of the full committee. Five minutes, please.

STEARNS: Mr. Chairman, thank you very much for allowing me to participate even though I'm not on the subcommittee.

Mr. McKay, I'm just going to ask you a basic question. I was down there, and we saw that the Sombrero (ph) did not work, and we saw the start to slant drilling (ph). Here's a basic question. When will you cap that well? What's your best guess? MCKAY: We have multiple efforts underway that...

STEARNS: No, no. I mean, if you had...

MCKAY: I can't give you a deterministic -- we have multiple efforts that we're working simultaneously.

STEARNS: Well, are you going to cap it in 90 days, yes or no?

MCKAY: I believe we'll get the -- I believe the relief well will be down in roughly 90 days.

STEARNS: Do you think you'll cap it in 90 days with the slant drilling?

MCKAY: With that, with the relief wells, or sooner with other methods.

STEARNS: What other methods? Because...

MCKAY: We're still working on the blowout preventer itself and trying to do a top kill, which could be successful, but we are also trying to get a containment system subsea to...

STEARNS: OK, so your best guess is within 90 days that you will close this rig of the evacuation of all the gasoline. That's your best guess?

MCKAY: I believe we -- that or better.

STEARNS: Now, you're in a room all alone, just you and the governor of Florida, and he asked you this question. He said, when is your best estimate when it will hit the Florida coast? What would you say?

MCKAY: I don't have any estimates of it hitting the Florida coast. I don't know.

STEARNS: Do you think it will ever hit the Florida coast in these 90 days that you predict that there will be closing this -- the oil?

MCKAY: I don't have a way of predicting that. All I can say is that we're trying to get a containment system in such that that oil is collected before...

STEARNS: Well, let's take a worst-case scenario. If -- as I understand, the wind doesn't have an impact. It's basically the current. Is there a worst-case scenario where it could hit the Florida coast?

MCKAY: That is a possibility. That's why we're organizing to be able to...

(CROSSTALK) STEARNS: Let's say it's a possibility. If you had to be a betting man, would you say it would hit the West Coast -- hit the Florida coast in 90 days?

MCKAY: I'm not speculating on that.

STEARNS: OK.

MCKAY: We are doing everything we can to make sure it doesn't.

STEARNS: A constituent sent me a little video. It showed a large basin of water, and they poured oil into it. They took blue hay and other types of hay and they dropped it into it. And in about a minute-and-a-half, it absorbed all of the oil in the basin of water.

What's the possibility -- can you drop hay in the area? They take the hay out, and then it becomes fuel. Why couldn't you have just dropped something to absorb all that oil instantly to give you more time to make decisions? Have you ever thought of that?

MCKAY: Yes. Some of that absorbent-type material will be used in the near shore and the beach areas, if -- if...

(CROSSTALK)

STEARNS: But you could have dropped it right on the site, then take barges out, pick it all up. It absorbs all the oil off the top. And then you could have made the oil into things that you could actually burn. Has that ever occurred to you folks?

MCKAY: Well, we're under Unified Area Command with the Coast Guard, and I don't believe that is as scaleable as it needs to be for the -- for the farthest offshore.

STEARNS: If it was a good idea, do you need the federal government to approve it or can you do it on your own?

MCKAY: Well, we work -- we work together with the federal government under the Unified Area Command. And every decision is...

STEARNS: OK.

MCKAY: ... authorized by the Unified Area Command.

STEARNS: In tab 11 of page 7-1, in its application to explore to the site, B.P. -- do you want to get that tab, or you just want me to read it to you?

MCKAY: In this book?

STEARNS: Yes.

MCKAY: OK.

STEARNS: It reports it has the capability to respond to spills of 300,000 barrels per day, OK? This is you folks telling us that you have the capability to respond adequately to spills of 300,000 barrels per day. It's on page 7-1, section 7.0.

This is your oil spill information graph, worst-case scenario. This is you talking, worst-case scenario. And you say, volumes uncontrolled blowout per day, 300,000 barrels per day. Is that correct, the information in here? Do you still stand by that?

MCKAY: I see that, yes.

STEARNS: OK. What is the current spill per day right today?

MCKAY: The current estimate's 5,000 barrels a day.

STEARNS: OK. So, basically, that's 60 times less than you say the worst-case scenario that you can adequately respond to. Is that correct?

MCKAY: That's the math, yes.

STEARNS: So why are you having so much trouble responding to this when even by your own literature you're saying you could handle up to 300,000 barrels a day? You have something that's 60 times less, and yet your -- this thing is starting to hit the Chandeleur coast in Louisiana, and the possibility it might even move -- it's hitting Alabama and possibly going to Florida.

So why -- why can't you -- why didn't you have an adequate response even when your worst-case scenario says you can handle up to 300,000 barrels per day?

MCKAY: Well, this -- this particular incident is very difficult because we've got a...

(CROSSTALK)

STEARNS: This says worst-case scenario. This is your words.

MCKAY: The mechanical configuration of this is very difficult, and the relief efforts that we're doing include three drilling rigs that are working simultaneously to try to contain and stop this.

STEARNS: So are you saying today's situation is more than a worst-case scenario that you outlined in your report to us?

MCKAY: No, I'm not saying that.

STEARNS: Well, you see why I'm -- I'm puzzled why you folks are sitting here saying you don't have a control when your worst-case scenario said you could handle 300,000 barrels a day?

BARTON: Would the gentleman yield for clarification?

STEARNS: Yes.

BARTON: Is the reason you think you can handle a 300,000-barrel- a-day worst-case is because the assumption is the blowout prevention actually works? MCKAY: It's part of the assumption in dealing with this.

STEARNS: OK, thank you. Well, I appreciate the chairman. The only thing I would conclude is that I assume, in the worst-case scenario, that that would take -- be part of the worst-case scenario, so that's the only concern I have.

Thank you, Mr. Chairman.

(UNKNOWN): The chair recognizes the gentleman from Vermont for five minutes.

WELCH: Thank you, Mr. Chairman.

What -- as we all know, we were told that what could never happen did happen. We were told that, if the unimaginable happened, we had a failsafe mechanism that would make certain there would be no harm. And of course, the tragedy is that these assurances prove wrong.

Pardon me. And we're learning -- one of the reasons that they're wrong, drillers have been relying on the -- on the device known as a blowout preventer, and in theory it's designed to shear off the pipe and completely close the well, as you all well know, in the event of a catastrophe like a Deepwater Horizon.

Mr. McKay, I want to quote from your testimony. You say, and I quote, "The blowout preventer was to be failsafe in case of an accident." Is that correct, you were counting on that blowout preventer as the last line of defense?

MCKAY: That is considered the last line of defense, yes.

WELCH: OK. I want to ask you about that and the basis for that reliance. As you know, we received a document that was part of our investigation called "The Blowout Preventer Assurance Analysis." This was something that you had, B.P. had. It was commissioned in March of 2001.

The risk assessment of the blowout preventer of the Horizon rig identifies 260 different failure modes. And this, it says, specifically includes over 20 that pose high or very high risk on the blowout preventer. It describes a potential failure of the blowout preventer to unlatch from the riser, the failure of rams to close, the failure to shear pipe as examples of the many possible, quote, "high- consequence failures" of the blowout preventer. And these are exactly the type of problems that led to the uncontrolled leak on the Deepwater Horizon.

So the question I have is, if B.P. had a report that it commissioned for review of the safety mechanism of the blowout preventer, and it contains 260 failure modes, under what construction of the English language is a device with 260 failure modes failsafe?

MCKAY: I'm sorry. I'm not familiar with that report. And is that a B.P.-requested report?

WELCH: It's an R&B Falcon Deepwater Horizon BOP assurance report that's dated March of 2001. And it literally lays out...

(CROSSTALK)

MCKAY: That may be a Transocean report.

WELCH: Well, we'll get to that you, because what it does specifically outline are anticipated problems with the blowout preventer. We also learned about other critical problems with the blowout preventers. One problem was they -- is we understand that they can't cut joints in the drill pipe. And as I understand it, those are referred to as tool joints.

Mr. Moore, you made this blowout preventer. And let me ask: Is it correct that it was not designed to cut joints in the drill pipe?

MOORE: No, it is not.

WELCH: So this is not a minor risk, because we've been told that the pipe joints can take up to about 10 percent of the pipe's length. Does that sound about right to you?

MOORE: That's correct.

WELCH: So, basically, we've got a blowout preventer that won't work on 10 percent of the -- of the mechanism it's supposed to operate on. You know, there were multiple failures that led to the disaster in the gulf, and one of the most critical, obviously, was that the blowout preventer on the Deepwater Horizon just didn't work.

And B.P. and Transocean were relying on the device as if it was the ultimate failsafe, even though there was a report in March of 2001 outlining 260 separate failure modes. And, obviously, we're all now left -- and, most importantly, the folks who live in the gulf region -- to deal forever with the consequences of this catastrophe.

Mr. Chairman, I yield back.

(UNKNOWN): The chair now recognizes the gentleman from Louisiana, Mr. Melancon, for five minutes.

MELANCON: Thank you, Mr. Chairman. I appreciate the opportunity to ask some questions.

First, let me start by saying my condolences to the families of the 11 victims. We're all regretful of such an incident.

On a lighter side, Mr. Moore, I understand your son, Daniel's, engaged, and I understand his friends are even accepting and saying he's got a good catch, so being a father-in-law, a good catch is a great phenomenon, even though during these troubled times.

I've been a pro-oil-and-gas person here. And -- and I want to thank my colleagues on both sides of the aisle that have refrained from saying "I told you so," because I have been a defender of offshore drilling.

MELANCON: I think the record for the shallow water offshore drilling speaks for itself. I think it's very good, it's very reliable. I think this accident demonstrates that maybe our government in the form of Minerals Management in -- in working with the industry that we have to figure out what do we need to do to do this better because I can't in all good -- with a good heart encourage the continuation of deep water until I know that all safety precautions are there, that all backup systems are there, that all systems will work under the conditions, whether it's depth, temperature or whatever.

So moving forward, I -- you know, I guess one of the questions I've got is when you went to apply for the deep water Horizon and you received a categorical exclusion from the NEEP (ph) in 2009, what's the process by which you secured this exclusion? In retrospect, should we have looked at it even more?

I mean, was this an exclusion that as companies you knew you always had that option, even though the law said -- didn't say exclusions were viable or acceptable? Was it a commonplace thing? I think that would be more for Mr. McKay and Mr. Newman.

MCKAY: It's a categorical exclusion that relies on the environmental impact statements that the MMS and the government has done for the lease sale itself. And then smaller areas within that lease sale an environment assessment is done specifically for those areas by the government. And the industry generally uses those environmental assessments in their -- in their permit and files an environmental statement with those. So it's used -- it's common, yes.

MELANCON: Is -- is that where the -- as I understand it -- the comment came that we're 50 miles off, we'll have no impact? Because, as you know, my concern is the estuaries and the marshlands of South Louisiana that I grew up hunting and fishing in. And while my heart is heavy, I know those folks that make their living and actually live in those marshes -- the frustration, the helplessness that they're feeling.

So, I mean, is -- should that have been, in good conscience, something that you're -- is that a negotiated thing between the companies and -- and MMS?

MCKAY: No, it's not negotiated. I think -- I think through all of this we're going to learn a lot and need to look at the -- at the qualifications and the -- and the -- the -- the regulations and the permits that are required to -- to do work. I'll acknowledge that. This is not something that's unusual. It's utilizing environmental assessments that have been done. And it's in a conventional sense. Conventional sense may not be right going forward.

MELANCON: Yes, I -- and as I said, I guess at the depth -- and we've got a whole new animal that we're dealing with. And we need to know what it is and -- and better.

Mr. Chairman, I guess my question to the chair would be is -- is there some method -- my concern right now, especially after what happened in Colorado, I think, a year or so ago brought to light with MMS, some ability for the committee to get an independent auditor, investigator, inspector general or something to look into how we do this and to make some recommendations so that this never happens again to anyone in this country, much less this world? We're the United States, and I would have thought if this was going to happen, it would have been in maybe a South African continent or some third world country that just looked the other way or said, you know, if there's still such a thing -- and I'm sure there is -- is kickbacks, that that would have happened there and not here in the United States. And, of course, having come through Katrina, Rita, Gustav, Ike and now Horizon, it's just -- I guess the -- the anxiety is building on South Louisiana as though there's a bull's eye on us.

And -- and I'm running out of time. I have one other quick question.

But thank you, Mr. Chairman. I turn back my time.

STUPAK: Thank you, Mr. Melancon.

This is only the first of many hearings we'll probably have on this issue. And all avenues will be explored.

MELANCON: Thank you.

STUPAK: Ms. Blackburn, five minutes for questions, please -- member of the subcommittee?

BLACKBURN: Yes, thank you, Mr. Chairman. I appreciate that.

And, Mr. McKay, I wanted to talk with you on -- on a couple of things. One, people that have come down from the federal government -- did -- do they have an understanding of offshore drilling? Do they have any real world experience in that that has proven helpful? Or have you had to kind of give a -- give them a tutorial or -- or an understanding of that process?

MCKAY: Well, I think it's in different categories for different -- different folks. A lot of people are learning a lot about the oil business and -- and the technology and issues that -- that are being dealt with.

Coast Guard -- obviously, we drill with the Coast Guard. They've been involved in lots of things in the Gulf Coast around the oil business for many, many years. So they're very familiar with what they're doing.

Other government agencies -- MSS, very familiar with what we're doing, obviously. Other government agencies are learning, to be honest, learning and -- and -- and understanding and -- and trying to help.

BLACKBURN: I also want to ask you if -- very quickly because we have limited time. And if you want to do some of this in submitting it, write and submit it, that's fine. Your protocol for capping a well -- if you can just step through that. And was that protocol explicitly followed in this case?

MCKAY: I think we'll need to get back to you as part of the investigation. What was the procedure? How valid was it? Did it work? Would it have worked, the design, et. cetera? Then was it followed correctly? And then what decisions were made critically between once the signals were that we may be in a well-control event?

BLACKBURN: OK. And then on the controlled burns, I know you started some of the controlled burns. And there were some days the weather wasn't good.

How much did you -- how many days did you use the controlled burns? If you eliminated those, why did you make that decision?

MCKAY: It's -- it's weather-dependent. And it's been used when -- when the weather permits. And -- and we think it's a very valid tool, and we're trying to use it when we can. But we've not had the weather available to use it as much as we'd like.

BLACKBURN: OK.

And let's see. Mr. Moore, the BOP system that you discussed -- what is the best secondary BOP system? You know, you talked a little bit about what you all had developed. Then what is the best secondary system? How often is it used?

Is there anything else for a well that has a history of producing a lot of gas? Like, it's my understanding that this one did. Then what is the -- you know, what is the best secondary or alternative plan for that?

MOORE: Other than using a BOP?

BLACKBURN: Yes.

MOORE: I know of -- I know of no other one. There's several -- several ways to control a well, obviously, when it's being drilled through the -- you know, through various processes.

BLACKBURN: OK.

MOORE: Mud is obviously the biggest one.

BLACKBURN: OK. So what you're saying is what was being used is considered the best and the only way to address this? MOORE: Well, I think there's numbers of ways to control the flow of a

well when you're -- when you're drilling it. As I said, mud systems are -- are the most -- I think -- most common. BOPs are -- are put in a situation where they must close on a flowing well when -- when certain controls are lost. And provided they're maintained, provided that they're activated and provided there's nothing put in the flow path that it can't -- that it can't close on, they're pretty reliable, very reliable.

BLACKBURN: OK.

And, Mr. Newman, I have one question for you. When the explosion first occurred, were your SWAT teams notified? And how quickly were they on the scene?

NEWMAN: If I could just clarify for the congresswoman what a SWAT team is. This is a team that we use when the BOP is on surface, on the rig, in between wells. And they are there to provide additional support to the normal complement of rig crew for conducting the thorough program of between wells maintenance that is performed on the BOP.

So in this particular situation where the BOP is -- remains on bottom, the SWAT team, in terms of providing actual on-site expertise, what they have done is mobilized to the offshore operations. So they are providing support and guidance to the remote operated vehicle operators as they continue to attempt to manipulate and intervene on the BOP. We have members of that same expertise or function providing support to B.P. in their West Lake facility in Houston and similarly in our own continuing crisis response team in our offices in Houston.

BLACKBURN: So as soon as word came to you that there was a need, you all were in action?

NEWMAN: Absolutely.

BLACKBURN: Thank you, sir.

I yield back.

STUPAK: Thank you.

Mr. Dingell for questions, please -- member of the subcommittee?

DINGELL: Mr. Chairman, I thank you.

Mr. McKay, how much has B.P. spent on the response so far?

MCKAY: I -- I don't have an accurate number. I saw -- I saw...

DINGELL: Would you submit that for the record?

MCKAY: Yes.

DINGELL: How much do you anticipate that B.P. will spend before this matter is over?

MCKAY: I -- I don't know.

DINGELL: This question for all witnesses -- was the blowout preventer modified in any way, yes or no?

NEWMAN: The blowout preventer has been modified since it was delivered from Cameron in 2001.

DINGELL: You say it was -- it was, to be specific, for the particular installation? Is that what you're telling me?

NEWMAN: The blowout preventer was modified. It was modified in 2005 as a result of an agreement between Transocean and B.P.

DINGELL: Why?

NEWMAN: It was modified at B.P.'s request and at B.P.'s expense.

DINGELL: Why was it modified, and how was it modified? You and Mr. McKay will want to be answering that question.

MCKAY: Yes. I'm not sure the details of that modification. And I think the investigation should look into that as well as whether there were any other modifications made other than that.

DINGELL: Were the modifications entirely in accord with the manufacturer's instructions? Or were they at variance with the manufacturer's instructions?

MCKAY: I don't know.

DINGELL: Sir, do you know?

NEWMAN: The modifications to the Cameron BOP that were performed in 2005 utilized Cameron equipment. They were done under the direction of B.P. and in coordination with oversight from the MMS.

DINGELL: Now, this is for all -- all witnesses. Yes or no, were there shear rams installed, and were they tested to ensure functionalities at the depths of this particular well, yes or no?

MOORE: The BOP is outfitted with two sets of shear rams, one of which is referred to as a super shear ram. And the other one is referred to as a blind shear ram.

DINGELL: Mr. McKay?

MCKAY: I don't know.

DINGELL: Next witness, sir, please?

MOORE: Yes, Mr. Newman is correct.

DINGELL: All right.

Did the deep water have a backup remote trigger to activate the blowout preventer, yes or no?

NEWMAN: The answer to that question, Congressman, is yes. The BOP system on the deep water Horizon was fitted with two automatic backup response systems, one of which the industry

refers to as a dead man. And the other one the industry refers to as an auto shear. Both of those systems were fitted on the deep water Horizon's BOP control system.

DINGELL: Thank you.

Do the other witnesses agree with that statement?

MCKAY: Yes.

MOORE: Yes.

DINGELL: Now, Mr. McKay and Mr. Probert, was the cement used in this case the same chemical makeup as the cement used by Halliburton for other wells, yes or no?

PROBERT: Yes, the cement had been used -- this type of cement had been used in approximately 100 applications in the Gulf of Mexico.

DINGELL: Mr. McKay?

MCKAY: I don't know.

DINGELL: For all witnesses, were the survivors of the explosions asked to sign medical or legal liability waivers after the explosion, yes or no?

NEWMAN: The documents that the Transocean survivors of the incident were asked to sign were categorically not waivers.

DINGELL: Mr. McKay?

MCKAY: For the B.P. employees, no.

DINGELL: Next witness?

PROBERT: No.

DINGELL: Next witness?

MOORE: Congressman, we had no one on the rig.

DINGELL: Now, it is my understanding, gentlemen -- and this is for all -- all of the witnesses, if you please. It is my understanding that local fishermen have been contacted by your companies to help with the cleanup in different ways. Have these contractors been asked to sign any kind of liability waiver?

MCKAY: We are -- we are the -- a responsible party that's operating in the cleanup efforts with the Coast Guard. There was originally a standard form that was put out -- I've lost track of time -- a couple of weeks ago -- that -- that was a problem. That was torn up, started over. And so your practical answer is no. And that was fixed right after.

DINGELL: So the answer to that question is no?

NEWMAN: They are not.

MCKAY: They are not signing liability waivers.

DINGELL: Is -- is that a categorical or a qualified no?

MCKAY: I believe it's a categorical.

DINGELL: Very good.

Now, I have a curiosity. I had intended to ask -- did the Minerals Management Service exempt B.P.'s lease on the well from an environmental impact statement as required by NEEP (ph)? B.P. apparently requested that exemption.

MCKAY: There is a categorical exclusion that was utilized that -- that makes use of the government's environmental impact statement that's done with the lease sale. And then the government's environmental assessments that are done by grid in smaller area within that lease sale. And those are utilized with the permit.

Thank you, Mr. Chairman.

STUPAK: Thank you.

Ms. Castor for questions, please?

CASTOR: Thank you, Mr. Chairman.

Mr. McKay, in your testimony, you state that BP recognizes that, beyond the environmental impacts, there are also economic impacts to the people of the Gulf Coast states. BP will pay all necessary clean-up costs and is committed to paying legitimate claims for other loss and damages caused by this spill and that you are determined to do everything humanly possible to minimize the environmental and economic impacts of the resulting oil disaster.

Now, in Florida, the Deepwater Horizon disaster is causing losses and damages to our most important industries, to our tourism industry, to the fishing industry. Vacations are being canceled. Hotels don't know what to do. They're very scared.

This is having a devastating impact on the hard-working people of Florida, like the other Gulf Coast states. So when you state that BP is committed to taking responsibility for paying claims, are you willing to begin a high-level dialogue with the political leadership of the state of Florida to talk about ameliorating and addressing the impacts on our industries?

MCKAY: Yes.

CASTOR: Thank you. Mr. McKay, is there anyone who now works for BP America or BP parent or any BP subsidiary who previously worked for the U.S. Department of Interior and/or MMS?

MCKAY: I believe so, yes.

CASTOR: Who is that?

MCKAY: I believe Jim Grant worked for the MMS.

CASTOR: In what role?

MCKAY: In what role for the MMS? I'm not sure.

CASTOR: Could you -- could you answer that question in detail for the committee, moving forward, go through your records and see?

MCKAY: Yes.

CASTOR: OK. And what about vice versa? Is there anyone currently employed by the Department of Interior or MMS who previously worked for BP America or BP parent or a subsidiary?

MCKAY: I know of one person, but I'm not sure they're still employed, but they were, yes.

CASTOR: Who is that?

MCKAY: Sylvia Baka (ph).

CASTOR: In what role?

MCKAY: I don't know. I don't know what her role is exactly.

CASTOR: So you'll get that information to this committee?

MCKAY: I'll get that to you, yes.

CASTOR: Mr. Newman and Mr. Probert, same question, except substitute Transocean and/or Halliburton.

NEWMAN: I'm not aware of anybody, but we can certainly check our records and confirm.

CASTOR: Thank you.

PROBERT: Neither am I of anyone, but we will certainly check our records for you.

CASTOR: Thank you very much.

I wanted to ask some questions about how the blowout preventer was tested. Mr. Newman, in your testimony, you say that the blowout preventer was tested regularly and found to be functional. Is that correct?

NEWMAN: Yes.

CASTOR: Mr. Newman, I want you -- I want to read to you a document that we obtained late last night. This document is from February 10th, and it is labeled as the "Deepwater Horizon Blowout Preventer Subsea Test."

We have been told that there were additional tests conducted after this February test in March and April, but they went down with the rig. So this February test is the last detailed information we

currently have on subsea testing of the blowout preventer.

In particular, I want you to focus on the test for their casing shear rams. There are no test results here, and it actually says, "Do not function as per exemption." Mr. Newman, what does this mean?

NEWMAN: I'm not familiar with the particular exemption that would be in place, so I can't comment right now.

CASTOR: What does it mean when the document states, "Casing shear rams open"?

NEWMAN: "Casing shear rams open" would be the test that would be performed to confirm that the casing shear rams do, in fact, open, so the shear rams retract.

CASTOR: And same thing for close, same explanation. So what does it mean when it says, "Do not function," "Do not function as per exemption"?

NEWMAN: I believe that it means it's part -- as part of this test, those casing shear rams are not functioned.

CASTOR: So I want to be fair. My understanding is that there is evidence that the casing shear rams worked, so this failure to test may not have had an effect on the response, but it is indicative of the problems with the testing regime. You want to comment on that?

We have other documents that discuss the testing of the blowout preventer, and one is a document prepared by BP on April 27th, after the blowout, one week after the explosion. I'd like to bring that up on the screen. This document makes a number of key points about problems with the BOP tests.

It states, "BOP stack emergency systems are not typically tested once the BOP stack is on the seabed." It also says that the subsea testing of the emergency systems would show whether the system will work when installed and show that there were no leaks that would diminish system integrity.

Mr. Newman, what is your reaction to this document?

NEWMAN: While the BOP is on the surface, prior to being deployed for well operations, all of the systems on the BOP are tested, including simulation of the conditions that would trigger the automatic functions on the BOP control system.

CASTOR: So were the emergency systems of the blowout preventer tested after the device was installed on the seabed?

NEWMAN: Those systems are not tested once the BOP system is on the seabed. CASTOR: Why not?

NEWMAN: The -- if -- if we could talk about the auto-shear function, the auto-shear function...

CASTOR: I'm a little over my time, Mr. Chairman. OK.

NEWMAN: If we could talk about the auto-shear function, the auto-shear function is installed on the BOP control system to simulate the disconnection between the lower portion of the BOP stack and the lower marine riser package.

So these are two sets of components that come together and, taken together, they constitute the entirety of the BOP stack. The auto-shear function is designed to -- to activate when the lower marine riser package inadvertently disconnects from the BOP, the lower BOP.

There is -- there is a way to do that subsea, but it introduces significant risk in the well construction operations. Disconnecting the LMRP inadvertently from the BOP is not an expected, not a -- not a normal part of the well construction process. It's an emergency response. And so testing that emergency response while the BOP is on the seabed would introduce significant risk.

CASTOR: Thank you very much.

Thank you, Mr. Chairman.

STUPAK: Thank you.

Mr. Inslee for questions, please?

INSLEE: Thank you.

Mr. McKay, would you agree that the industry ought to be using the best available technology to avoid these cataclysmic blowouts?

MCKAY: Yes.

INSLEE: Now, I'm told that, in other places in the world -- let me back up for a moment. We've learned through some of the investigation that a possible source of failure was the failure for an activation signal in some sense to be given to the blowout preventer. I don't think that's been categorically proven, but there's some suggestion that that's what happened, from some interruption of the connection to the -- to the activation switch.

We're advised that in other places in the world, in Norway and Brazil, an acoustically triggered switch is available that is remote to the rig so that it's not dependent on a physical linkage between the blowout preventer and the rig, that it receives an acoustic signal of a blowout occurring and immediately sends through, I believe, a sonar system to activate the blowout preventer.

And the safety that seems to me common sense, in the sense it's not dependent on a physical connection, as this one was, and that physical connection may have been interrupted in the explosion, in the blowout, to me that seems to be another inherent safety feature that is used in other countries. Was that system used in this particular rig?

MCKAY: Well, I'm not a blowout preventer expert, and maybe these guys can answer, as well, but I think it's something that needs to be looked at. As I understand it, the acoustic signaling, you know, is not always applicable in some of the places like the deepwater Gulf of Mexico.

We did have redundant systems here to try to trigger the blowout preventer, including physical manual intervention...

(CROSSTALK)

INSLEE: I understand that. And I guess those all depend on a physical connection to the -- to the rig platform.

MCKAY: Or the lack of.

INSLEE: Or the lack of. This one has a remote system, and it seems to be used by giving you an additional redundancy, if you will.

Let's just be clear: Was this system in place on this rig? Does anybody have a suggestion that it was? No one's shaking their head yes, so we're assuming there was no acoustical-activated trigger.

Now, assuming that -- that -- and I'll just ask Mr. McKay. Assuming that this acoustically-triggered system would provide an added layer of redundancy that could operate even in the absence of any physical connection between the blowout preventer and the rig, would BP be willing to accept that technology as the best available technology?

MCKAY: We -- we would absolutely accept anything that -- that would improve upon what we have in terms of redundancy. So I would ask some of the experts that. But we would be willing to do that, if looked like it would help anything, yes.

INSLEE: And was it ever considered by British Petroleum to require that in its operations at any time?

MCKAY: I don't know.

INSLEE: Could you find that out and let us know? Do any of the other witnesses have information about that as to whether or not the acoustically triggered device was ever considered by British Petroleum? Do you have any information, any of the other witnesses?

(UNKNOWN): I would not.

PROBERT: No information, no.

(UNKNOWN): I don't think it would be appropriate for me to comment on what BP may or may not have considered. INSLEE: Well, we'll look forward to your letting us know, Mr. McKay. There have been some press reports that the cost dissuaded British Petroleum from installing this additional safety mechanism, so we'll be interested to see what you find out in your review.

I want to ask about the -- the capability of this sharing system. And I have to just tell you, as a layperson, I've been disturbed by the lack of reliability of this system from what I've been able to look at. I'm looking at a document. It's -- it's a study done from the U.S. Minerals Management Service by WEST Engineering Services of December 2002.

And the report suggests that they tested several of these blowout preventers and said, if you take in -- if -- if operational considerations of the initial drilling program were accounted for, shearing success dropped to 3 of 6, 50 percent; 50 percent is not something that gives you huge confidence.

The report goes on to say, WEST -- that's the contractor here who did the investigation -- WEST is unaware of any regulatory requirements that state the obvious, that the BOP must be capable of shearing pipe planned for use in the current drilling program.

And apparently there's no regulatory requirement that there's been a demonstration of a particular BOP to shear a particular pipe of a particular metallurgical situation. Is that accurate?

Mr. Moore, you might be the one most knowledgeable.

MOORE: Let me respond to that, because Cameron -- Cameron took -- took a position on this in 2007 with the study that we did with our own information on shearing capabilities, where we plotted across a matrix of low, medium and high shear rates to shear certain size drill pipe.

We took the top end of that. We took the maximum range in which shear pipes should be sheared, because shear pipe is different strengths at different hardness, so it's not altogether exactly consistent, so...

INSLEE: Thank you. I appreciate that, Mr. Moore. I just have a real quick question I want to ask Mr. McKay.

Mr. McKay, in September 14, 2009, BP sent a letter to the U.S. Department of Interior Minerals Management. And you said, quote, "While BP is supportive of companies having a system in place to reduce risks, accidents, injuries and spills, we are not supportive of the extensive proscriptive regulations as proposed in this rule." That's signed by Richard Morrison, vice president, GOM production.

Do you plan on revisiting that position by BP in light of this incident?

MCKAY: I think -- I think everything we learn in this incident will be relevant in terms of what regulations should be going forward. INSLEE: Well, I appreciate that. I'll be introducing a bill here shortly that will require the use to best available technologies. It's motivated in part because of the absence of this particular safety device, this acoustic device we're talking about, so I would appreciate your consideration.

Thank you.

STUPAK: I would thank you, Mr. Inslee.

Ms. Capps for questions, please?

CAPPS: Thank you very much, Mr. Chairman.

And thank you for testifying today, each of you.

Today, more than 1 million feet of barrier and sorbent boom have been deployed along shorelines in the gulf and in the open water. I guess I should acknowledge, first, that I'm from Santa Barbara. My district represents the central coast of California and was -- I was a resident in Santa Barbara with my young family in 1969. I know a bit about sorbent boom.

Over 3,000 gallons of oil dispersant has been applied from the air -- this is a newer technology than I'm familiar with -- and nearly a mile underwater, and controlled burns have been used to ignite oil on the ocean surface, which we have seen in the past.

These measures sound impressive, but I'd like to hear from our witnesses about their efficacy. Mr. Newman, your company produced a document to the committee that outlines the advantages and disadvantages of different cleanup strategies. It's at Tab 9 of your document binder. On the first page of the document in a section that examines the strategy of using floating booms to contain oil, the last point warns that, quote, and this is a quote from that document, "The recovery rate of oil under the best circumstances rarely exceeds 15 percent." And I can actually give testimony to that fact. That's the same technology that was used in 1969 in Santa Barbara on the -- off the coast.

Mr. Newman, am I reading this document correctly? Is the best case scenario for boom collection really only 15 percent of spilled oil?

NEWMAN: Based on the information that I have reviewed since the incident occurred, I believe that is -- that that percentage is directionally accurate, yes.

(UNKNOWN): And that's one of our best technologies that we have available at this time. It's not a very impressive rate of recovery, but more disturbing is the fact that the rest of the proposed techniques are not particularly effective either.

The plan cautions that chemical dispersants, quote, and I quote, "must be used within the first 24 hours to be effective." And that in cite to burning, quote, and I quote, "causes air pollution" and, again, another quote, "may leave tarry residue that will wash up on the shore lines or sink to the bottom." The plan also warns in all capital letters, and this is another quote from the plan, "EXPERIENCE HAS SHOWN THAT SHORELINE CLEANUP OPERATIONS OFTEN CAUSE MORE ENVIRONMENTAL DAMAGE THAN IF THE OIL WERE LEFT ALONE."

I -- I think it's really so shocking to me, having lived through this in my community in 1969 -- that's 40-plus years ago -- and as was given in an opening statement, more than 100 years since the first offshore drilling was done along my coastline, that this multibillion-dollar oil exploration industry has not come up with a more -- with more effective strategies to contain the damage from -- of leaking deep-sea wells.

The technologies -- and I know others have said this -- the technologies have been perfected to get down there and to go after it. Why -- and I'm going to ask the rest of you with whatever time remains -- why was there not equivalent technology developed to clean up after a spill, whether a small spill or a huge spill, at the very same time, using some of the profits that have been generated in each of the companies that you represent?

The cost of doing it now, after the fact, is a cost that you will bear, but there is no way you will come close to bearing the costs that our nation will bear -- the shrimper, the oyster folk, all of the people, and not to mention untold disasters that lie ahead day after day after day.

I represent a coast with oil drilling. We are still drilling. The same Platform A that drilled and spilled in 1969 is pumping oil today 25 from -- off the coast of my district. Each spill, and there are many of them and they are unique -- the environment in the Gulf is extremely complex, and yet we do not -- excuse me, one minute -- and we don't understand yet how these symptoms -- systems interact with and respond to oil, these complex coastal areas that we treasure.

And I hope that this topic is something we will continue to explore in future hearings. And with 10 seconds, I'd like to see if one of you has any further comment to make.

MCKAY: I would just comment we're working very closely with all the government agencies, EPA, Coast Guard. Coast Guard deals with spills all over our coastal areas all over the country. We're using the best available technology at scale. This is the largest effort that's ever been put together, so we're -- we believe are using the best technology. If we have any other ideas...

SCHAKOWSKY: But you never had any until it happened.

MCKAY: Well, we've -- we've been drilling with the Coast Guard for years, since the...

SCHAKOWSKY: Did you develop technologies for dealing with this?

MCKAY: Not individual technologies for this, no.

SCHAKOWSKY: I rest my case. STUPAK: Thank you.

Mr. Engle (?) for questions, please? We have three votes. Well, let's get to these questions then.

ENGLE (?): Thank you, Mr. Chairman.

Gentlemen, yesterday there was testimony, as you know, before the Senate, and -- and what came out of there was a bunch of finger pointing. Everybody pointed a finger at somebody else. Everybody was making excuses and -- and alibis, and -- and the American public is obviously outraged. I'm outraged. It's very difficult to believe a lot of the things that we're hearing.

I want to ask some very basic questions, because we've gone into a lot of the -- the technical things, and -- and we've gone on and on. Generally, we've been told for the past several years in Congress that offshore drilling is safe, that we needn't worry about what happens. If there is any kind of an accident, don't worry, because there are backup systems, and there's a backup system for the backup system.

And then we find out that none of this is true. If there had been improvements in -- in drilling techniques through the years, why apparently had there been no corresponding improvements in -- in preventing oil spills? Or -- or is it -- is it there's simply no ironclad way to prevent spills like these in the future? Is that what -- what you're telling us?

Mr. McKay?

MCKAY: This has been an unprecedented event. In the Gulf of Mexico alone, there have been over 42,000 wells drilled in the last 50 years, and this -- this is an unprecedented event. We've got to learn what caused this and what to do to make sure this doesn't happen again, and we're dedicated to do that, and I know the committee is as well.

All I can say is the industry has been safe and -- and then clean for -- for quite a while, and then this is an unprecedented event we've got to figure out.

ENGLE (ph): But, Mr. McKay, I will bet that I could dig up congressional testimony after the Exxon Valdez mess, where people literally said the same thing that you're just saying now, that

this is a once-in-a-lifetime thing, that it cannot happen again. I mean, we were told it cannot happen again, what happened up in Alaska in 1989. So -- so why should we believe you any more than we could've believed those people that told us the same thing after the Exxon Valdez spill in Alaska?

MCKAY: My -- my confidence is because I think we're going to figure out what caused this, both the -- the events that caused the explosion as well why the blowout preventer didn't work. I think we will solve this, and that will allow us to be safer going forward.

ENGLE (ph): With any other gentlemen care to comment? PROBERT: I think all of us -- all of us are committed to trying to find out what did take place and put steps in place that are necessary to make this a safer and -- a safer and sounder future for us in terms of oil and gas exploration.

ENGLE (ph): There is currently a 75 million liability, and I understand, Mr. McKay, you said BP has not adhered to that. You're -- you're going -- going higher. Is that -- that true?

MCKAY: That's true. We'll go -- we'll go over that, if needed, absolutely.

ENGLE (ph): Should the cap be raised? I know Senator Menendez has introduced legislation to raise to 10 billion. Should we just lift the cap? Is that something that Congress should consider?

MCKAY: I was asked that question yesterday. I -- I don't know the specifics of that legislation, and -- and I would just say it's not relevant in this case.

ENGLE (ph): We have an eight-cent a barrel tax assessed to oil companies, and -- and proceeds go into a cleanup service. Should that tax be modified, and should that money be spent differently?

MCKAY: I think that'll just have to be reviewed in the context of what we learn through this.

ENGLE (ph): How about the -- an administration proposal to split the Minerals Management Service into two parts, one with oversight responsibilities for the oil industry, another that would provide drilling leases and collect federal royalties on the operations? Do you have any comments on that, or support or oppose it, and why?

MCKAY: I don't -- I don't have any specific comments on that.

ENGLE (ph): Anybody else?

PROBERT: No specific comments, other than to say that that is not an unusual process in a number of foreign jurisdictions.

ENGLE (ph): I -- I just want to say in -- in conclusion that I am just really agitated and -- and aggravated. Nobody in this room, and certainly the four of you, didn't want this to happen. Nobody wanted this to happen. This is a terrible tragedy.

But when we get assurances from the oil industry year in and year out that this cannot happen and that we should drill, baby, drill, and we should keep expanding the drilling, and then the worst actually happened, I just don't know how it could ever believe anything that we hear from the oil industry.

It just -- it just boggles my mind as to how this could happen, and -- and 20 years from now there'll be another Congress sitting here, and there'll be another oil spill, and they'll be saying the same things that -- that you gentlemen are saying now. I'm -- I'm not convinced, and I'm, frankly, very, very angry. I yield back, Mr. Chairman.

STUPAK: Thank you, Mr. Engle (?).

I'm going to start a second round of questions. I know we have votes on. I'll try to at least get in the first set of questions, and then we'll break for votes, and we'll come back.

Mr. Newman, Ms. Castor was asking a number of questions about the blowout preventer and testing on the surface, the sea surface. And it says that the testing of the emergency systems would show whether the system will work when installed and how -- and show that there were no leaks that would diminish the system's integrity.

BP in a memo on April 27th has recommendations. It says that the risk in testing emergency systems and subsea testing are manageable, and BP recommends the systems be tested in the future. I'm glad that BP's recommending improved testing going forward, but my question is this testing -- what's done on the BOP for testing when it's on the seafloor?

NEWMAN: If I could clarify the response to the question, a BOP is an immense piece of equipment.

STUPAK: Correct.

NEWMAN: It's about 55 feet tall. It's about 20 feet square.

STUPAK: Right.

NEWMAN: It weighs over 300 tons. It's a combination of a number of valves that are intended to close off the wellbore.

STUPAK: Right.

NEWMAN: And it's got over 100 other smaller valves that function...

STUPAK: I realize all that. It's 45 tons. I realize all that. What testing is done when it's on the seafloor?

NEWMAN: Component by component, we work our way up to ensure that the function closes and that it will hold pressure.

STUPAK: OK.

NEWMAN: Those are the required tests that are conducted every two weeks to confirm that the system functions and that it will hold pressure. In the intervening seven days, there is another set of tests which serve to confirm that the system still functions.

STUPAK: And that's just pressure testing. You don't -- you don't check for the valves to see if they're seeking, right, like -- like we have here? We have a leaked valve here, right?

NEWMAN: Those tests would confirm whether or not the system has any leaks in it as well.

STUPAK: So this leaky valve, that hydraulic leaking valve that I brought up earlier in my opening statement and ask questions about, you're saying your tests would've showed that?

NEWMAN: Absolutely.

STUPAK: Then, Mr. Newman, in this thing, Cameron officials told us the problem was that someone overlooked the tightening of a fitting. All these other fittings on the hydraulic system were snug, but this one had not been tightened, and it was, like, several turns backed off. So how can you explain if that's -- how is this possible, that one valve? If your testing was there, it would have showed the one valve was leaking, would it not?

NEWMAN: If that one valve was leaking during the testing, the testing would have demonstrated that. The document that I was handed a few minutes ago, which is a record of a BOP function test, that you will see that the gallant counts are recorded...

STUPAK: Sure.

NEWMAN: ... to the first decimal point, which is a very accurate record of...

STUPAK: Yes, that's a pressure. I'm talking about the emergency testing, you know, like the dead man's switch and -- and these rams and that. What do you do to test those when it's on the floor? What's the emergency testing? If something goes wrong, what test should you be doing?

NEWMAN: What the auto shear function and the dead man function do is serve to activate the BOP. They operate the control system, and they close the valves. So the independent testing that we conduct on a regular basis confirms the same thing, that the...

STUPAK: How about the emergency power source? That's where we found the leaky valve, the loose fitting. The emergency power source -- was fact checked?

NEWMAN: The emergency power source, that's a...

STUPAK: For the hydraulic line.

NEWMAN: That's a terminology that I'm familiar with, Congressman, so I can't tell you what specifically that would be in reference to.

STUPAK: Mr. Moore, am I correct -- there's an emergency power system that could be checked while it's on the subfloor?

MOORE: Would this be the system that sits in the stem, that it's kind of like the -- the brain that...

STUPAK: The control, yes.

MOORE: I'm -- I'm not sure of -- of how that would be tested by -- by Transocean, Congressman.

STUPAK: Would your technical guy, Mr. McWhorter, know the answer to that?

MOORE: We can surely ask him.

STUPAK: Go ahead. I've got to ask you to raise your right hand, take the oath.

(UNKNOWN): Do you swear or affirm the testimony you're about to give be the truth, the whole truth, and nothing but the truth in this matter?

MCWHORTER: I do.

STUPAK: Please state your name for the record and who you work for.

MCWHORTER: David McWhorter. I work for Cameron.

STUPAK: I'm sorry.

MCWHORTER: Could you repeat the question?

STUPAK: Sure. State your name for the record and who you work for.

MCWHORTER: David McWhorter.

STUPAK: OK.

MCWHORTER: I work for Cameron International.

STUPAK: OK. Now, there's a hydraulic power source. Do you want to explain that to us, how it would do the emergency testing and shut things down?

MCWHORTER: I believe you are referring to the subsea accumulator banks, which is where the hydraulic energy in effect is stored...

STUPAK: Yes.

MCWHORTER: ... for emergency operations.

STUPAK: Yes. What testing can be done to check that when it's on the seafloor?

MCWHORTER: On the seafloor you can -- you can fire that function.

STUPAK: How do you fire that function?

MCWHORTER: Push a button on the surface.

STUPAK: OK. Is that a test that would impair the jeopardy of the blowout protector while it's on the sea floor?

MCWHORTER: It would depend what would be in the wellbore at the time the test was conducted.

STUPAK: And this is one of the tests that was not done here in this -- in this -- you have no record of this test ever being done, do you?

MCWHORTER: We have no records of any tests, sir.

STUPAK: Do you have any tests of that record being done where they go down and push the right button to see if the hydraulic line worked in the emergency?

NEWMAN: If Mr. McWhorter is talking about the subsea accumulators, these are large bottles that are attached to the BOP. They contain hydraulic fluid at pressure. Those systems are recharged using the surface system.

If there were -- if there were a leak in the subsea accumulators, that would require that the surface system be regularly operating to recharge the leak.

STUPAK: And after...

NEWMAN: That would be recorded as a volumetric leak. And there is no record of that.

STUPAK: Is there any record that you even tested it, that you pressed that button?

NEWMAN: There's no way to test the subsea accumulator system (ph).

STUPAK: Well, after the explosion, you did go and push into this little valve, or die (ph) test. I mean, there's this little -- you push the button. It didn't work.

That's when you did the die (ph) test. Correct?

And that's when the die (ph) test showed there was a hydraulic leak, and that the fitting was very loose. Correct?

NEWMAN: During the post explosion...

STUPAK: Yes.

NEWMAN: ... intervention efforts, a number of operations were conducted on the BOP...

STUPAK: Right.

NEWMAN: ... where the remote operated vehicles, through a variety of configuration, supplied hydraulic power to the system. During one of those operations, it -- we did not -- we did not see the anticipated pressure response.

In response to that indication, we conducted troubleshooting operations. And those troubleshooting operations identified a leak on the system.

STUPAK: And the leak was because the valve wasn't screwed on tightly, to put it in layman's term. Right?

NEWMAN: I believe that's correct. Yes.

STUPAK: OK. Is that correct, Mr. McWhorter?

MCWHORTER: There was a leak that was discovered subsea. Yes, sir.

STUPAK: Any reason why it couldn't have been discovered before?

MCWHORTER: I really...

STUPAK: Other than the test not being done.

MCWHORTER: There's probably a number of reasons, sir.

STUPAK: OK. Well, our time is up. We have votes.

One more question. Mr. McKay, in the answer to Mr. Sullivan's question, you said the best way to stop this is a BOP. Right? That's your top kill, I think your exact words were.

MCKAY: I think that's, yes, one of the big options, yes. Absolutely.

STUPAK: Is there any way to put another BOP on this?

MCKAY: Yes. We've been trying to get diagnostic determination inside that BOP to understand what's happening, and understand where the pressure is dropped.

STUPAK: You'd have to take that riser off, and then put another one on top?

MCKAY: Yes. That is a potential, and we're working hard on that.

STUPAK: And once you take that riser off, it's possible you could have greater oil and gas gushing up through that hole.

MCKAY: That's exactly right. But that's why we're getting a diagnostic, where we're using gamma rays and pressure measurements. And we're making progress in understanding that.

STUPAK: And if that riser came off and starts gushing up even greater than what it's doing right now, can you get a BOP back on there?

MCKAY: Well, that's one of the issues that we're working, yes.

STUPAK: OK. My time is up.

When we come back, Mr. Burgess, there will be questions.

We stand in recess for a half-hour. We have three votes.

All right? Gentlemen, we'll see you in a half-hour. Thank you. We're in recess.

(RECESS)

STUPAK: We'll reconvene the committee here and the Subcommittee on Oversight and Investigations and our hearing. I remind the witnesses that they're under oath.

When we left, I believe, Mr. Burgess, it was your turn for questions on round two, if you would, please. Mr. Moore will be here in a minute. We're tracking him down.

BURGESS: Thank you, Mr. Chairman.

Mr. McKay, you made reference in answer to an earlier question that the Obama administration, the White House, and the cabinet had been helpful during this event. Is -- is that a fair statement? Do I remember you saying that correctly?

MCKAY: Yes, I think I said that the administration and its cabinet, yes.

BURGESS: Have you been to the White House since the accident occurred?

MCKAY: Yes, I've not seen the president, but I've met with Secretary Napolitano and Secretary Salazar and other administration officials, yes.

BURGESS: Would -- Mr. Chairman, could I ask that the White House make available to us the -- any minutes or notes or e-mails that would be relevant to that meeting?

STUPAK: Well, as the gentleman knows, he can ask. I'm not guaranteeing what kind of response you're going to get, but, yes, you can ask.

BURGESS: I just think it would be helpful to us -- were you the only executive of an -- of an oil company who was -- who was there, or were -- was this a collaborative response from many people who work in the industry to try to help solve a problem?

MCKAY: This -- this was -- the meetings that I'm talking about were myself and Tony Hayward, BP, both of us BP.

BURGESS: OK. Are you aware of any other meetings that have occurred with executives of other companies?

MCKAY: I'm not aware on this particular issue.

BURGESS: On this issue. When -- can I ask you when -- when that meeting occurred?

MCKAY: There have been several over the last -- over the three- week period that we've been in.

BURGESS: OK. When -- when would the first meeting have been?

MCKAY: Within the first week of the accident, I believe.

BURGESS: And that information, Mr. Chairman, should be available to us with White House logs if they will furnish us that information. Is that -- do I understand that correctly?

STUPAK: Well, again, Mr. Burgess, as you know -- because you've used the procedure before -- I'll put the request in writing. We'll submit it to the White House and see what happens.

I'm not sure what the extent of the discussions and what is appropriate, what is not. I know when we speak about energy or energy policy, there's been some reluctance of the courts, because under the Cheney energy... (CROSSTALK)

WAXMAN: Will the gentleman yield?

BURGESS: ... no, because my time is limited. We'll go on your time.

STUPAK: Oh, we'll give you back an extra 30 seconds.

BURGESS: Yes, I know you will. Thank you.

It would just -- it would just be helpful to us. We will put that in writing. And aside from Secretary Napolitano and Secretary Salazar, I assume Department of Interior was present. Were there White House personnel present, as well, chief of staff, deputy chief of staff?

MCKAY: No. No.

BURGESS: Just people from the agency?

MCKAY: There were other -- Caroline Browner (sic)...

BURGESS: Well, certainly to the extent that these involved agency personnel, Department of Interior, Department of Homeland Security, we as the oversight body of this Congress should have the ability to get that information. That's not my understanding. That should not be covered under executive privilege. So I will make that request in...

WAXMAN: Will the gentleman yield, if you're going to make a request? Because it's going to come through me, and I'd like to have a clarification from you.

BURGESS: If the chairman will yield me an additional minute.

STUPAK: I'll yield you an additional minute, you betcha.

WAXMAN: What does the gentleman wish to request, the log of these visitors and the fact that they were at the White House meeting with people within the administration?

BURGESS: Yes, I'd like to know what was discussed.

WAXMAN: Well, I don't know that you're entitled to that. But the White House already posts its logs as to who comes in and meets with the -- this is something we didn't have in the previous administration.

They do have a posting of the log. And you can easily find out who came in from the outside and who met with people in the White House. I don't know why you would be entitled to have the discussions or notes or anything like that. I don't know what the precedent is for asking that.

BURGESS: Mr. Chairman, it may have occurred to you that we're having a great deal of difficulty getting to the actual causation at -- this is the second hearing. We had one closed hearing last week. This is an open hearing.

But we're really having a lot of difficulty getting to causation. There's a lot of people talking past each other. And I just think, if there was a frank discussion at the White House, that we might benefit from the information that was exchanged that day.

WAXMAN: If the gentleman would yield, I'll certainly take it under advisement.

BURGESS: I thank the chairman for the consideration.

I'm not sure if I'm going to pronounce your name correctly, Mr. "Probert" or "Probert"?

PROBERT: "Probert."

BURGESS: "Probert."

PROBERT: "Probert," yes.

BURGESS: Mr. Moore obviously deals with the blow-up protector, but if -- I think if I understand the situation correctly, the blow-up protector is not the primary control of the well. That would actually be the material in the drill shaft itself, mud that would be the primary control. Is that correct?

PROBERT: Yes, that would be correct.

BURGESS: And you in your testimony talked about -- and it intrigued me, because it was the same thing I read in the New Orleans paper last Friday -- that there was a removal of the drilling mud from the stack. The initial plug, the -- or the -- one cement plug had been placed. The drilling mud was removed and replaced with seawater. And before the second plug was placed, the accident occurred. Is that correct?

PROBERT: The -- the process was, first of all, to do a positive test, which was conducted by Transocean. The second procedure was then to do a negative test, which is also conducted by Transocean, but requires removing some of the drilling fluid, at least from the drill pipe, and then -- and, subsequently, after the -- after a successful negative test, to the extent the tests were successful, then they would go ahead and evacuate and replace the drilling fluid in the riser with seawater in advance of setting the plug and then ultimately pulling off the well.

And I would defer to Mr. Newman if I have any part of that process incorrect.

BURGESS: Well, reported in the -- in the Times-Picayune last Friday, there was concern that the drilling mud was removed at a point prior to what it normally would have been removed and replaced with seawater, but that -- is that an error on the part of the paper reporting that?

PROBERT: I think the question and point that was raised -- and it was raised in testimony yesterday -- was that when you replace the drilling fluid in the riser with seawater, you reduce the density, effective density significantly.

BURGESS: Right.

PROBERT: And had there not been a successful negative test, then that would clearly be a situation which would be problematic for the well, since you're reducing the hydrostatic pressure on the well.

BURGESS: But the test wasn't successful.

PROBERT: I have no knowledge of that.

BURGESS: Anybody have any knowledge of that? That's the negative test, 1,400 PSI applied to the drill stack, and the -- no pressure recorded in the chokes, the dead -- dead man's cut-off, or whatever it is. Is that a positive test or a negative? I mean, was that -- I got the impression that was not a good result. Is that correct?

NEWMAN: The actual results of the test, Congressman, were first reported to me by Chairman Waxman today in Chairman Waxman's statement. And to my knowledge -- to my knowledge prior to this hearing, I was not aware of the results. I think Chairman Waxman alluded to some confusion with respect to those test results, and that's what I know about the test results.

BURGESS: But if I'm understanding Mr. Probert correctly, if the test was -- was -- was not the expected result, then it maybe not be a good idea to pull off the drilling mud and reduce the hydrostatic pressure on the column over the drill shaft.

Did I understand your -- your statement correctly about that? Well, you said if the test was -- was correct, then it wouldn't be a problem to reduce the hydrostatic pressure by removing the mud. But the test wasn't correct. The mud was still removed. Is that the problem with what subsequently happened? And, really, Mr. McKay, feel -- feel free to enter into the discussion.

MCKAY: I think -- I mean, what I believe is, there were discrepancies it appears in that negative test, where you had 1,400 PSI on the drill pipe and zero on the choke and kill lines. I think the investigation needs to look hard at how that information was either disseminated, used, and decisions made off of it, and what -- and who and what decisions were made after that point. And...

BURGESS: What would be drilling best practice, if you -- if you encountered an anomaly like that test, to go ahead and remove the mud or to wait until we found out what the problem was and corrected the problem?

MCKAY: I can't speculate on that individual situation. I mean, I really do think this is one of the key things the investigation is going to have to look at. BURGESS: Do you think it would ever be OK...

STUPAK: The last question.

BURGESS: ... to remove the hydrostatic pressure on the column of mud, if the test was not satisfactory?

MCKAY: I'm sorry?

BURGESS: Would it ever be OK to remove that -- that hydrostatic pressure of the mud column if that test wasn't satisfactory? Would there ever be a reason that that -- oh, it's OK, go ahead and do that, because we do it all the time?

MCKAY: I haven't seen all the data. I can't -- I just can't speculate on that. I just really can't.

BURGESS: But you seem...

(CROSSTALK)

STUPAK: OK, time, Mr. Burgess.

BURGESS: Thank you, Mr. Chairman.

STUPAK: Chairman Waxman for questions, please.

WAXMAN: Thank you very much, Mr. Chairman.

I want to go back to this issue, as well, the question of the negative pressure tests that we discussed earlier and the discrepancies and the negative pressure test that was performed on the well on the day of the blowout. And all of you seem to agree that this would be a significant issue and it would be a central question in the investigation.

But I have a document -- I think it's been given to you, Mr. McKay. It's an e-mail. I thought it had been given to you in advance. And the -- the e-mail talks about the testing procedures. Can you tell me whether these procedures were followed on the 20th?

MCKAY: I cannot tell you whether they were followed.

WAXMAN: OK, and that the -- the last line of the document -- and this is -- by the way, this is an e-mail, an internal e-mail from BP, and it indicates the -- the -- the things that would be done if there was a negative test that wasn't -- that showed a discrepancy. And the last line says that we would send to Houston for confirmation, plot on chart, send to Houston for confirmation.

I assume this refers to BP's office in Houston?

MCKAY: I would imagine so.

WAXMAN: Were the test results sent to Houston for confirmation before you resumed well operations on the 20th of April? MCKAY: It -- it looks like to me. And I have to examine this. It looks like to me this is after the last plug would have been set. We'd have to review this. But I don't know -- I don't know if it was sent to Houston or not. That last plug didn't get sent.

WAXMAN: Well, this is -- this e-mail sets out the procedure, as I understand it, for BP when you have a problem with that negative test. They indicate the things that should be done, and the last one is you'd send it to Houston. Do you know whether the results were sent to Houston before the well was back in operation?

MCKAY: I don't believe so. I believe the explosion occurred before number six (ph) happened.

WAXMAN: So you don't -- is it fair to say you don't believe that the officials in Houston approved the resumption of the operations of the well?

MCKAY: I don't know.

WAXMAN: OK. Was MMS involved in these decisions, to your knowledge?

MCKAY: I don't know.

WAXMAN: OK. There have been reports that, shortly before the blowout, the -- BP began displacing drilling mud with seawater. Do you know if that's accurate?

MCKAY: That's what I've been told, but I haven't reviewed it.

WAXMAN: Did BP's office in Houston approve this procedure? Did they sign off on the decision to displace mud with seawater after the negative pressure test discrepancy?

MCKAY: I don't know.

WAXMAN: OK. Do you know whether MMS signed off on this procedure?

MCKAY: I'm not familiar with the procedure, nor am I familiar with who may have or may not have signed off on it.

WAXMAN: You're not familiar with the procedure itself within BP on how to deal with a negative test?

MCKAY: Not on this particular well, no.

WAXMAN: You have a technical expert with you. Could we -- could you ask your technical expert for information in this regard?

MCKAY: Yes. Could you repeat the question, please?

WAXMAN: Well, I wanted to know, if -- if this document sets out the procedure within BP when there's a negative test that indicates there's a problem. And I also want to know if the BP office in Houston approved this procedure and whether they signed off on the decision to displace mud with seawater after negative pressure test discrepancy.

MCKAY: So what my expert has told me is that this procedure looks like it would have been used with the MMS procedure, the sundry (ph) procedure. He doesn't know, nor do I know, whether this was communicated to -- you know, confirmed to Houston.

What I would say, reading this, it looks like it's a procedure to get through the setting of the last plug after a successful negative test.

WAXMAN: After a successful negative test?

MCKAY: Well, that's the way it looks to me.

WAXMAN: I see. So after a successful negative test, you would contact Houston to have them sign off on the well getting started up?

MCKAY: The sign -- the send to Houston for confirmation looks like the last step after the final cement plug is set, which never happened.

WAXMAN: Because -- why did it not happen?

MCKAY: I don't know. That's what we all need to know.

WAXMAN: Oh, I see. So I'd like you to get for the record the information as to whether Houston was notified, whether Houston approved the procedure, whether they signed off on the decision to displace mud with seawater after the negative pressure test discrepancy, and whether MMS

signed off on this procedure. Am I correct in assuming your technical expert believed that MMS had to sign off on this, as well? Do you know?

MCKAY: The temporary abandonment -- sundry notice (ph) would have a broad procedure that the MMS would have signed off on. I...

WAXMAN: The broad procedure?

MCKAY: Well, I can't say if this matches that or it's exactly the same.

WAXMAN: OK. Well, if you can get us more information for the record, I'd appreciate it.

Thank you, Mr. Chairman.

STUPAK: Thank you, Mr. Chairman.

Mr. Barton for questions, please?

BARTON: Well, thank you, Chairman.

And I thank our witnesses for continuing to be here. I want to take a little bit different tact this round of questions. I think what Chairman Waxman just asked was very appropriate. I think those are good questions, and I think they deserve thoughtful responses.

But I want to take a little bit broader view. My first question: Does each of you at the panel support drilling in our coastal waters? Is there anybody who thinks we ought to suspend drilling in the Outer Continental Shelf because of this accident? Say yes or no or nod your head. Give some...

NEWMAN: Congressman, I think a pause, similar to what Secretary Salazar has asked for, I think a pause is prudent to reassess ongoing operations in the -- in the Gulf of Mexico. But I believe that energy is so important to our economy, and the Gulf of Mexico is a domestic source of that energy, that I believe that continued drilling in the Outer Continental Shelf is fundamental to the U.S. economy.

BARTON: Do you all support drilling in the ultra-deep gulf?

MCKAY: I have confidence we're going to figure out what happened here and that, if there are improvements -- and there probably will be some -- that need to be made, will be made. And I have confidence that the deep water and the ultra-deep water can be developed, and it's important to be developed.

BARTON: If this accident had occurred onshore under exactly the same scenario -- you had a well that was a 20,000-foot well that had the capability to produce somewhere between 50,000 and 100,000 barrels per day, and in the -- in the switching it over, getting it ready for production, you had -- you had an unexplained event that caused a blowout, would that event onshore be fixed by now? If everything was the same except it wasn't in 5,000 feet of water -- it was onshore Texas or Louisiana -- would you have the well under control by now?

MCKAY: Let me try that. I think intervention is easier onshore, obviously, because you can get people and equipment around it easier than 5,000 feet of water. But there -- there have been blowouts onshore that require relief wells to be drilled.

So I don't think you can automatically say onshore it would be easy and offshore it's not. I mean, relief wells are things that have to be used sometimes onshore.

BARTON: But the likelihood is that -- the complicating factor in trying to cap it, stop it, staunch it is that you're 5,000 feet down and you're operating everything with remote-controlled submarines. Is that not correct?

MCKAY: As Commandant Allen has said, you have no ability to have human intervention at 5,000 feet.

BARTON: Has any federal official in a position of authority offered any suggestion that has not been accepted? In other words, we've had lots of members say that you guys are just dopes, that you haven't figured out what to do about it yet, that any good college petroleum engineering class ought to be able to figure out what to do and get it done.

Has anybody in the Coast Guard, the Department of the Interior, the Mineral Management Service, the Office of the President, the Office of the Vice President -- has anybody offered a suggestion that you all have rejected on what to do to solve this problem?

MCKAY: I'm not aware of any suggestions that we haven't been able to take in or to materially change what we're doing.

This response is of massive dimension with technical experts from all over the world working it, including the government. And there have been no incremental solutions that I know of, or other parallel paths that I know of to pursue.

BARTON: Well, I've only visited the site one time when we went to the command center for about a one-hour briefing. But my analysis is that there is excellent cooperation between the federal government and the private sector, and that the Coast Guard, who -- the admiral -- who's the onsite commander, is making sure that everybody does the best possible to work together, and that this is not a case where the federal government and the private sector are in an adversarial situation.

And it seems to me that there is excellent cooperation. Do you all agree with that?

Everybody?

(UNKNOWN): I do.

BARTON: OK.

I want to put this in perspective, Mr. Chairman, before I have to yield back my time.

This accident, as far as we know, is releasing 5,000 barrels a day into the Gulf of Mexico. It's been doing so for approximately three weeks. That's a little over 100,000 barrels.

The largest spill in the Gulf of Mexico to-date was a spill off the coast of Mexico. It produced 90,000 barrels a day for nine months -- 90,000 barrels a day for nine months. Exxon Valdez was a tanker that ran aground in Alaska. That was a supertanker that was 300,000 to 400,000 barrels of oil.

So far, this spill has produced a little over 100,000 barrels. Now, that, in and of itself, is a significant spill, and it is a non-trivial accident. But it is nowhere near yet the order of magnitude of other accidents that have happened around the world.

There is a natural seepage in the oceans around the United States on an annual basis of four million barrels a year. There is an annual seepage worldwide of over 40 million barrels of oil per year.

So, this, while it is an accident, it is non-trivial, it is not of the catastrophic consequences that some in the mainstream media have made it out to be.

If we work together -- and this subcommittee is doing an excellent job of getting the facts on the table for the American people -- there is no reason that in the next -- hopefully, the next week or so, but certainly in the next two months, we'll stop the oil from flowing. We'll come up with new best practices, and, if necessary, new technology and new legislation to prevent this in the future.

With that, Mr. Chairman, I yield back.

Stupak: Thank you, Mr. Barton.

Mr. Braley for questions, please?

BRALEY: Thank you, Mr. Chairman.

And my math certainly is not as good as the ranking member's, because he is, after all, an engineer. But at the briefing we received, we were informed that these relief wells could take 90 days to complete. And if that is the case and we are not able to cap off the flow of oil, and it gets worse, then we will easily in the next 90-day period exceed the quantity of oil that was spilled by the Exxon Valdez. It is not a trivial problem to the people living and who get their livelihood from the Gulf Coast.

And Mr. McKay, we have been reassured by the federal government, and you stated today, that BP will pay all necessary clean-up costs, and is committed to paying all legitimate economic damages associated with this spill.

Is BP self-insured for all of these items of loss and damage?

MCKAY: Yes.

BRALEY: So, your corporation will be on the hook. It has not insured any of that risk or reinsured any of that risk. Is that correct?

MCKAY: That's correct.

BRALEY: One of the things I'm concerned about is reports that have come out recently, Mr. Newman, specifically a National Public Radio broadcast, dealing with efforts by your company to

compel Deepwater Horizon crewmembers to sign forms the day after the accident, stating they suffered no injuries from the incident or the evacuation.

And yesterday, the committee's staff was allowed to review several of those signed forms. And I want to read for you the key passage for the record.

The form states, quote, "I was not a witness to the incident requiring the evacuation, and have no first-hand or personal knowledge regarding the incident. I was not injured as a result of the incident or the evacuation."

Is it your understanding that was the language in the forms that were presented to your employees?

NEWMAN: That is the language on those forms, congressman.

BRALEY: Are you aware of any information given to those employees before they were asked to sign those forms?

NEWMAN: Between the time the individuals arrived onshore and the time they were presented with those forms, there was a tremendous amount of information provided to our employees in the form of support, medical care, clothing, food, hotel rooms, discussion with them about how we were going to facilitate their travel...

BRALEY: OK. Let me cut you off, because my question goes to the language in this document. Was there a briefing given to them about what was the intent of the form, and why they were being asked to sign it?

NEWMAN: Because I wasn't there, congressman, I can't tell you exact...

BRALEY: Who gave them these forms to sign?

NEWMAN: They would have been presented by the support team that Transocean mobilized to Louisiana to facilitate the onshore assistance of those individuals as they came in from the rig.

BRALEY: How do we get the names of the individuals that were on that support team?

NEWMAN: We can provide that to you.

BRALEY: OK. It says in the form, "I was not a witness to the incident."

What was the incident that was referred to in these forms?

NEWMAN: The incident would have been the well control problem on the rig floor, and the subsequent explosions.

BRALEY: All right. Given that description of the incident, there were no witnesses to the incident, were there?

NEWMAN: There are no remaining Transocean individuals alive who were on the rig floor at the time of the event. I don't believe so.

BRALEY: Right. And when it says no first-hand or personal knowledge regarding the incident, did anybody explain to these employees what that meant?

NEWMAN: Again, congressman, because I wasn't there, I'm not sure exactly what was explained to the individuals.

BRALEY: Well, the press reports indicate that the crewmembers who survived the explosion spent somewhere between 12 to 15 hours on a nearby vessel as they watched the rig burn. And after the survivors made it to shore, your company escorted them to a hotel for questioning. These men, many of whom were exhausted, potentially traumatized and desperate to contact their loved ones, had to decide whether or not to sign that form before going home.

Do you know, Mr. Newman, whether these employees were allowed to consult with their personal physicians, counselors or attorneys before they signed those forms?

NEWMAN: Congressman, the Transocean employees were not forced to sign the...

BRALEY: That's not my question. My question was, were they allowed to consult with a physician, a counselor or their attorneys before they signed this statement?

NEWMAN: Because some individuals didn't sign the statement until a week or so after the event, they could have had consultation with anybody they chose to have consultation with.

BRALEY: How many individuals waited a week or so after the event to sign the form?

NEWMAN: I don't know that, but we can provide that to you.

BRALEY: Please do.

They also interviewed on NPR one of your -- one of the deepwater crewmembers, a Christopher Choy, who did sign the Transocean form. He says that he was angry, because he wasn't able to talk to his physician or attorney. And let me tell you what his experience was.

He saw multiple explosions and flames coming out of the derrick. He saw men pile into one lifeboat while two others burned. He saw his friends and co-workers with burning flesh and broken bones. He lived through this disaster and saw those things that I hope you and I never have to experience in our life.

Can you tell us why he was asked to sign a statement that he had no first-hand or personal knowledge regarding the incident after experiencing that?

NEWMAN: One of our concerns in the aftermath of this event, congressman, is to conduct as thorough a fact-finding exercise as we can. And part of the facilitation of that fact-finding exercise is to identify individuals who might have helpful knowledge.

BRALEY: And wouldn't you agree with me that a reasonable interpretation of the words "first-hand or personal knowledge regarding the incident" might mean people who had witnessed the aftermath of that explosion and the impact that it had on employees who were working on that rig?

NEWMAN: I'm not sure I can -- do you want to engage in a debate about the terminology...

BRALEY: I'm not trying to engage in a debate.

NEWMAN: ... (inaudible)...

BRALEY: I'm just asking you if that wouldn't be a reasonable understanding, that someone who had witnessed the things that Mr. Choy described, would have first-hand or personal knowledge regarding the incident?

NEWMAN: That might be true.

BRALEY: I yield back.

Stupak: Thank you.

Ms. DeGette for questions, please?

DEGETTE: Thank you very much, Mr. Chairman.

Mr. Newman, many of the independent experts who looked at the initial reports from the oil spill came to the same conclusion, which was that the failure of the cementing process was likely a cause of the blowout. And you said in your statement that we know, quote, with certainty that on April 20th there was a, quote, sudden, catastrophic failure of the cement, the casing or both.

How, in your opinion, do we know that the cementing or casing or both failed?

NEWMAN: Congresswoman, the reservoir that we believe is flowing hydrocarbons is located 13,000 feet below the seabed. The pathway from the reservoir to the seabed should have been barriered off by cement and/or casing.

In other words, in order for the hydrocarbon to get from...

DEGETTE: Right.

NEWMAN: ... 13,000 feet below the seabed to the seabed, you have to have a failure of one or both of those barrier mechanisms.

DEGETTE: Right. And since -- OK, OK.

Let me ask you this. Who is responsible for determining the specifications for the cementing? Do you know? Mr. McKay?

MCKAY: I'm speculating, but we would write a spec for what type of casing in the hole conditions. And we would look to Halliburton in this case to...

DEGETTE: Your subcontractor.

MCKAY: ... help with the cement design.

DEGETTE: So, you would do the specifications, and then they would modify them as needed. Is that correct?

MCKAY: We would tell them what we want cemented, the type of casing, the hole conditions we think we would (inaudible). Sorry. And...

DEGETTE: OK. Mr. Probert, I wanted to ask you. Halliburton is the largest cementing provider for the oil and gas industry, including both offshore and onshore drilling.

Are the techniques that Halliburton uses to cement offshore wells similar to those it uses for onshore oil and gas cementing?

PROBERT: It's really, in many respects, a function of the individual well. While the basic principles are the same, obviously, a deep and challenging well like this will be cemented quite differently than a well that would be onshore and...

DEGETTE: So, there is a difference, not just onshore and offshore, but from well to well. Correct?

PROBERT: Each well has a unique program. DEGETTE: OK. Mr. Moore, I wanted to talk to you a few minutes about the emergency systems on the blowout preventer stack that Cameron International assembled. It seemed to me like several things might have gone wrong that could have been prevented.

Chairman Stupak referred in his statement to the report that several crewmembers witnessed the emergency disconnect system being engaged. The EDS was supposed to close the shear rams and disengage the riser from the well. But the EDS did not work, because neither of these things happened.

So, my question is, Cameron doesn't dispute that someone on the Deepwater Horizon pressed the button for the emergency system, does it?

MOORE: No, we don't.

DEGETTE: And my understanding is that your technical experts think that something else went wrong. One possibility is that communications between the blowout preventer and the Deepwater Horizon were destroyed before the system fully engaged.

Can you explain briefly how this would have prevented the emergency system from functioning?

MOORE: Well, the control pods that function the blowout preventers is electrically actuated. So, and then, that sends a signal down to the control pods, which then...

DEGETTE: A timed signal, right?

MOORE: Well, it's instantaneous. And so, if you lose that -- if you lose that electrical connection to the pod, then that signal would not make it.

DEGETTE: My understanding is that the EDS button wouldn't be hit unless the situation was dire. And that would require the communication lines to be intact for another full minute to function. That doesn't seem to anticipate the type of emergency that happened on the Deepwater Horizon.

So, I want to ask about another part of the system that might have failed. And that is the emergency disconnect system had a dead man's switch, that it would automatically close the shear rams and seal the well if something goes wrong, even if the emergency button is not pressed.

We were told by Cameron during interviews that in order for the dead-man switch to activate, three things had to happen: The communications had to fail, the hydraulics had to fail and the electrical power had to fail.

Is that correct, Mr. Moore?

MOORE: That is correct.

(UNKNOWN): OK.

MOORE: The dead-man system is -- is really designed to function when the riser parts from the well head.

(UNKNOWN): Right. Now your engineering expert told us that it's possible the dead-man switch did not activate immediately after the explosion because the hydraulic line could have remained intact. Is that correct?

MOORE: That could be a possibility.

(UNKNOWN): Now, Mr. Moore, here's the important question then: Shouldn't the dead-man switch be designated to automatically seal a well once a catastrophic event happens, like the kind of incident that occurred on Deepwater Horizon?

MOORE: Well, I'd just repeat that it was designed to function when the riser parts. If the riser is still attached and there is a control line still attached, then it could allow that function to not...
(CROSSTALK)

(UNKNOWN): Right. But in this situation, everything failed and yet the dead-man switch didn't activate immediately.

MOORE: Well, the riser was still connected to the -- to the Horizon rig for a couple of days, I believe.

(UNKNOWN): So you don't -- you don't think it should be automatic -- designed to automatically seal the well if there's a catastrophic situation like this?

MOORE: I think that's something we have to look at.

(UNKNOWN): Yes, I think so, too. Thank you very much.

Mr. Chairman, I just want to say one last thing, which is, you know, I didn't want to get into a big argument with Mr. Probert about the liability.

But I was a little -- I felt that the witnesses were a little more forthcoming today about willingness to clean up the situation. But I was -- I was dismayed in his testimony when he talked about -- when he talked about deflecting blame from Halliburton by saying that they were simply following B.P.'s well construction plan.

Because it seems to me that with all of these systems, it's obvious there was a catastrophic failure, and it might have been systemic on every level. And so I'm hoping every player here works collaborative with each other, not just to clean up and pay for these damages, but to identify how it happened, whether it was -- whether it was a, you know, a perfect storm or whatever it was, because otherwise we can't have that faith as we move forward -- as I said in my opening statement, we can't have that faith in supporting offshore drilling until we know how we can prevent those failures because while they're rare, they're devastating.

Thank you.

PROBERT: If I could just respond and say we are committed to working closely with all parties to ensure that we understand exactly what took place, whatever it may be and use it as a basis for improving safety of operations going forward.

STUPAK (?): Thank you.

Ms. Sutton for questions, please.

Before you begin, let me just -- Mr. Scalise has asked that the article he referred to from the Times Picayune, "Gas surge shut well a couple weeks before Gulf oil spill," that be made part of the record.

Without objection.

And if you want to deliver it to the witnesses. He may follow it up with some questions. So I thought I'd give you guys a chance to at least take a look at it.

Ms. Sutton for questions. Five minutes, please.

SUTTON: Thank you, Mr. Chairman. I just have to start with some clarification.

Mr. Newman, following up on my colleague Representative Braley's line of questions and about the statements that people were asked to sign shortly after the incident, can we have that statement again on the screen.

Can somebody pull that up?

My question to you is this: Are you telling us in this committee and the American people that this statement, in asking people to sign this shortly after this unbelievable event had happened in their lives, that you were trying to find out the facts rather than trying to limit your liability and this is the statement that was used to try and find out the facts?

NEWMAN: With all due respect, Congresswoman, there is absolutely no limitation of liability in any of those statements.

SUTTON: So my -- my question to you is then that this statement was offered to these employees because it was an attempt to find out the facts. Is that your -- is that your testimony?

NEWMAN: In the immediate aftermath of the event, Congresswoman, our first concern was on the health and well-being of our people. We mobilized a team to south Louisiana to meet our people as they came ashore.

SUTTON: It's just really a yes or no question.

NEWMAN: It had nothing to do with limiting our liability.

SUTTON: OK. So, again, the question was, are you telling us that this statement, you asked them to sign it because you were trying to investigate the facts and this is the statement you used to further that?

NEWMAN: A statement identifying...

SUTTON: It's just a yes or no question.

NEWMAN: A statement identifying individuals who might have helpful information...

(CROSSTALK)

SUTTON: OK. Let's move on since you're not going to answer the question. I'll take your failure to answer the question as the answer to the question.

Can you tell me, do you operate rigs off of Norway or Brazil?

NEWMAN: We do operate rigs in Norway and Brazil.

SUTTON: OK. What kind of a blowout safety systems do your rigs in other parts of the world have? Can you share that with us?

NEWMAN: The rigs around the world have blowout prevention equipment, similar to what was employed on the Deepwater Horizon. The control systems -- in two regulatory regimes, Norway and Canada, the control systems require an acoustic backup system as well.

SUTTON: OK. So I understand.

So how much would a duplicate blowout preventer cost. Can you tell me that?

NEWMAN: A duplicate blowout preventer, the entire system?

SUTTON: Yes. How much would that cost?

NEWMAN: I haven't quoted one recently. My guess is in the realm of \$15 million.

SUTTON: OK. Let me move on to Halliburton and Mr. Probert. In an incident last year there was a well blown out near Australia. I mentioned it earlier in my questions to Mr. McKay, the Montara spill. What caused that blowout?

PROBERT: There's a commission of an inquiry, which is under way for the Montara blowout in Australia in the Timor Sea. And the -- the commission hasn't produced its findings. In fact, they just finished gathering about three or four days ago.

SUTTON: OK. So we don't know yet.

PROBERT: So we don't know yet.

SUTTON: Was Halliburton involved in the well's cementing?

PROBERT: We were involved in the well's cementing. But what we do know from the public testimony is that a five-month period elapsed between the time that cementing was completed and that the well control issue took place.

We also know from the testimony that the well owner in this particular case did not put a surface plug in place to protect the well when the blowout preventer was removed, nor did they put a corrosion cap on top of the well. So the well was left open to the elements for about five months.

So I think the inquiry is what we will need to look to to find out exactly what happened.

SUTTON: So is it possible there's a relationship to the causes of each of these blowouts in your opinion?

PROBERT: I -- it's impossible to say until we get the details from the inquiry, but it seems unlikely that there's a link. SUTTON: Does the testing of cement change with the increasing depth of the wells?

PROBERT: I'm sorry, with the increasing...

SUTTON: Does the testing of cement change with the increasing depth of wells?

PROBERT: Well, there are more casing strings which are run. As you have seen from the schematic on this well, there were actually nine that were run, casing and liner strings. And so each one of those is tested. The first eight are tested in a slightly different fashion because we drill out afterwards, because we're going to go down...

(CROSSTALK)

SUTTON: I'm just asking about in relation to the depth of the wells, does the testing change?

PROBERT: As a result of the number of pieces of casing, yes. There's more testing.

SUTTON: OK. And just let me clarify one other thing. Our distinguished colleague, the ranking member of the full committee, had mentioned that he thought that perhaps you had been presented as some dolts because you don't know what to do in the aftermath of this incident.

But I would just say to the contrary, you were certainly capable of figuring out how to develop and drill and profit from it, but what we're concerned about, what I'm concerned about is that you didn't figure out, for whatever reason, and I haven't heard a good reason yet, about how to do it safely so as to prevent this kind of disaster.

And the final question I have is at the beginning of the Bush administration, there were closed meetings, and I'm glad Mr. Burgess reminded me of this, held by Vice President Cheney to discuss issues related to energy policy. And I know that B.P. participated in those from previous testimony.

Were any of the other companies, did they have representatives in those meetings? And can you just share with me whether or not you know if there was any discussion of trying to find ways to responsibly prevent this kind of disaster?

NEWMAN: I don't know whether or not Transocean was a participant in that. I think it would be very easy for us to confirm that for the committee.

MOORE: I am not aware Cameron was either, but we can confirm it.

PROBERT: I have no knowledge either, but again, we'll look into it and let you know.

STUPAK (?): Thank you. Mr. Scalise, five minutes for questions, please.

SCALISE: Thank you again, Mr. Chairman.

And I gave you all a copy of the article that's titled gas surge well shut -- shut -- "Gas surge shut well a couple of weeks before Gulf oil spill." That was from yesterday.

And if you could take a look at that, because I still want to get those answers about not only the time that's mentioned in that article but how many times total that well was shut down.

I also want to refer, yesterday, there was a hearing in New Orleans, an investigation that's under way as well as some of the ones happening here, but there was testimony there, and one of the -- I guess one of the supply ships, the Bankston (sic), I guess, supplied the Horizon. There was testimony by the first mate of the Bankston (sic), who said weeks before the accident they had to clear mud off the rig because of what they heard was a quote, "loss of circulation."

Are you familiar about -- with that, that incident where there was mud that had to be cleared off of the rig?

Mr. McKay or Mr. Newman?

MCKAY: I'm not -- I'm not aware of that.

SCALISE: This was a public hearing yesterday, an investigation into this. I would imagine somebody at B.P. was monitoring this.

MCKAY: I'm sure they were. I'm sure they were. I'm just...

(CROSSTALK)

SCALISE: Does your technical expert have any information on that?

MCKAY: No.

SCALISE: Well, get me whatever you have on it.

Mr. Newman, do you know?

NEWMAN: I'm not familiar with the details of that event. No.

SCALISE: And I'll be happy to provide that article as well. But this was a hearing and an investigation into this incident that happened yesterday. I would hope somebody at Transocean and B.P. know about this and can answer questions about this, because this goes to the heart of was there or were there a series of problems prior to the explosion that weren't being dealt with?

And, of course, if you can't answer it, somebody at B.P., somebody at Transocean is going to know about this. Get me all of that information. But also I want to know what safety changes were made after this one or multiple shutdowns occurred, because if a shutdown occurs, that's not -- that's not something that's supposed to happen, especially if mud is coming out because you aren't controlling the flow of the natural gas that, if it's a well that's been described here, "this was a very difficult well, not a typical well."

These are people who were working on this well saying this. You all should know about this because there are other wells that are out there. But if there's a well that's not a typical well that's causing problems, I would imagine you would take other safety precautions to address that. Maybe you didn't.

But you need to get me that information as well as the number of times it was shut down. What safety changes were made after those problems were recognized.

So moving on, it seems like, and this is something else that's discussed in the first article I gave you -- it seems like there was a disagreement, a serious -- it's described as a heated disagreement between B.P., Transocean and Halliburton regarding the process of removing the mud and putting in the sea water. And this was -- this was described as being prior to the -- prior to the cement being completed.

Now, first of all, I'll let each of -- each of the three parties that are mentioned here.

Mr. Newman, do you know about a disagreement between the parties on what is the best way to install or to remove the mud and when to remove the mud and how much to remove? Were you all in agreement or do you know...

NEWMAN: Congressman, I'm not aware of any disagreement. The first reference to any confusion with respect to what was happening on the rig, I learned of during Chairman Waxman's opening comments today.

SCALISE: Mr. McKay?

MCKAY: Same thing. That's the first I'd heard about it.

SCALISE: Mr. Probert?

PROBERT: Halliburton would not normally be involved in that process, so I can't imagine there would be any -- any disagreement.

SCALISE: Well, again, I mean, there are people who were on that rig saying that this heated disagreement occurred.

Is it a standard protocol, then, for the process that was used to remove the mud and replace it with sea water? Is this a -- is this a permitted process? Did you have to file a plan for just how that process was going to go?

Because, clearly, there were some problems, and it could be one of the main problems in relation to the explosion. Is this a standard process for when to remove the mud or is it something that you all kind of decide as you're there on the spot?

I'll go again, Mr. Newman?

NEWMAN: Displacing the riser with sea water to recover the drilling mud is a normal part of the well abandonment process.

SCALISE: So it's not something that should be disagreed upon by the parties involved?

NEWMAN: The removal -- the displacement of the riser to sea water is -- should not be a subject of disagreement. That...

(CROSSTALK)

SCALISE: Mr. McKay, is that...

NEWMAN: ... part of the normal process of abandoning the well.

MCKAY: I believe the procedure is part of the temporary abandonment Sundry Notice that's filed with the MMS, and it...

SCALISE: So there should have been a standard protocol filed with MMS on these displacement...

MCKAY: I believe that the procedure would be filed with the temporary abandonment sundry notice, yes.

SCALISE: OK. And if you can give me a copy of that as well.

And then, Mr. Probert, if -- if you know of any disagreement there, or just is that a standard process?

PROBERT: I believe it's part of a -- a standard process...

SCALISE: OK.

And was that -- Mr. McKay, was that the point where you were when the explosion occurred? Do you know exactly where in the process, what operation was being performed on the rig at the time of the explosion?

MCKAY: I don't know the exact time. I mean, this is what the investigation is working on. We have an investigation that started gathering the information that you're -- some of it, you know, is witness accounts that we haven't been able to talk to yet.

SCALISE: And finally, I know this -- out of time now -- but final question. In terms of the -- the process of paying the fishermen and -- and all others whose livelihoods are directly impacted by their inability to go and earn a living right now because of this, what is the process for -- for getting them reimbursed?

Clearly, there are a lot of people that are very nervous. You know, one more week, two more weeks might be the difference between them going bankrupt or having their house foreclosed. What is that process and what kind of assurances can you give that those -- those people directly impacted will be able to be made whole in a quick, reasonable amount of time?

MCKAY: We -- we have a process under way to meet people's needs on the coast immediately. We've got claims numbers to call. We've actually got community centers to visit as well. We've paid out, I think, over a thousand claims already, and most of it is to fishermen, who aren't working and -- and need it for their cash flow. And that's -- that's where our emphasis has been so far.

SCALISE: OK, and if you could provide that process to the committee as well.

MCKAY: OK.

SCALISE: Thank you, Mr. Chairman. I yield back.

STUPAK: Thank you, Mr. Scalise.

Mr. Burgess and I have a few more questions, and we'll wrap up this hearing, so let's go one more round, five minutes each.

Mr. Newman, I'd like to ask you about the risk and hazard analysis that your company performed regarding the blowout preventer. Four days in August 2003, Transocean personnel examined every possible hazard on the Deepwater Horizon rig to figure out what could possibly lead to a major accident.

Transocean evaluated the safety of the BOP and found that even though BOPs had failed in the past, the likelihood of a BOP failure was low, because it was not a frequent occurrence. Transocean then rated severity of a BOP failure as extremely severe, which means the risk could result in multiple fatalities or a massive oil spill.

So, Mr. Newman, your staff knew several years ago that the BOP component failure would inflict major damage on your crew, your company and the environment. So my question is why wouldn't you do more to protect against the BOP's failure?

If I -- if I can put your company's risk analysis on the screen, and Tab 7 in the book there, if you want to look at it, the last page of Tab 7 of that document, the environmental catastrophe taking place now is one of those predicted as possible by your experts. First, it says possible blowout with possible multiple fatalities and possible loss of rig. Second, possible environmental impact.

The preventive measures listed here include testing, inspections and maintenance, yet today, as I mentioned in my opening and has been mentioned a couple of times today, we learned that the BOP had a hydraulic -- leaky hydraulic system, dead battery, and a configuration or design that actually interfered with the BOP's safety features. So, Mr. Newman, if -- if you knew the risk, did the company take the necessary safeguards for the BOP? I mean, isn't there something more we could have done to make sure, knowing the extreme severity of an accident that -- could make sure this BOP was working properly?

NEWMAN: Mr. Chairman, over the last several years we have continued to improve our maintenance practices with respect to blowout preventers, and we have continued to apply rigorous and strict testing protocols on a regular basis that would identify any failure.

STUPAK: But what about, you know, because we have heard a lot about the dead man's switch, just the batteries? Do you have any tests developed that you can test the batteries to make sure that they're going to work, so if everything else fails, the batteries will still work, that we can close those rams and shear this -- the baby off?

NEWMAN: We test the batteries when the BOP is on the surface.

STUPAK: On the surface, but not when it's in the water. When was this BOP put in the water?

NEWMAN: I believe it was put in the water in the first week of February.

STUPAK: OK, so that would be about two or three months. I guess my -- my question is this. When you get done with this BOP -- let's say we didn't have this problem -- do you use BOPs over and over?

NEWMAN: Yes.

STUPAK: OK. This is 2001 this BOP was manufactured. Have they improved since 2010? In the last nine years, have we had improvements in the BOPs to make them more safeguards, so we don't have these failures of leaky valves and dead batteries and -- and to make sure they work? Do we have new, improved BOPs?

NEWMAN: The technology that was developed in the late 1990s when the industry first built rates capable of operating in 10,000 feet of water...

STUPAK: Sure.

NEWMAN: ... is largely the same as what's employed today.

STUPAK: Do you have new, improved ones, Mr. Moore?

MOORE: Congressman, as -- as -- over a 10-year period, yes, things do evolve. But we build our stacks to last 20 to 30 years, if properly maintained and used in the environment in which they're designed for.

STUPAK: OK. Well, let me ask you this, because this came up earlier, the acoustic BOP would be a redundancy system. Now that we know what we know about this accident, if we had an acoustic BOP as a redundant system, would that have worked? Would that have shut off, pinched off this pipe so we wouldn't have this oil coming out?

MOORE: The answer to that question, Chairman, depends on what's inside the BOP.

STUPAK: Correct.

MOORE: If -- if the BOP is somehow being prevented from functioning correctly, then another means of activating the BOP would not have offered any...

STUPAK: Would an acoustic BOP be stacked, or would it be off to the -- somehow off to the side to crimp this pipe? How -- how would that work?

MOORE: What we're talking about, Chairman, is a -- an acoustic control system.

STUPAK: Right.

MOORE: It is another means of activating the BOP. It's not another BOP.

STUPAK: OK.

MOORE: It's simply another means of activating the BOP.

STUPAK: But -- but here, in order to activate this BOP, I mean, testimony has been that they probably hit the button on the rig when they realized there was a problem going on, right? They hit the button to activate the BOP. And you had to sever the communication, the power and the hydraulic lines. Two out of three we know didn't work. The communications and power were cut. The hydraulic lines are still intact. Therefore, the dead man's switch didn't work, correct?

MOORE: We're not sure the hydraulic line was severed.

STUPAK: OK.

MOORE: But if it wasn't, it would not know to...

STUPAK: But even if it wasn't, if we had an acoustics on there, would that have shut down this BOP?

MOORE: It would be a method to shut it down. If there wasn't anything inside that BOP, it couldn't -- it wasn't...

STUPAK: And we'll never know that until we get the BOP of, really.

MOORE: We'll not know that until we see it.

STUPAK: All right.

Mr. McKay, we asked for your risk registry, and I know you said you'd get it. We still haven't received it. Would you see that we get your risk registry for Gulf operations? Would you please provide that to us?

MCKAY: Yes.

STUPAK: More of my time.

Mr. Burgess, five minutes for questions, please?

BURGESS: Mr. Chairman.

Ms. Capps was asking some questions about the -- the work that's gone on in the last 30 years as far as the mitigation of a spill when it happens. Now, the -- there's a dispersant that's being -- or was being injected, placed on the water and also being injected at the site of the spill. That dispersant -- is that new, or is that something that's been around for a while? And anyone feel free to answer that.

MCKAY: This technology is new. I mean, this is -- this is the first time it's been used at any scale and...

BURGESS: Who's responsible, or who was -- has been responsible for the development of that product?

MCKAY: Well, Nalco -- I believe it's Nalco is the manufacturer, Nalco Chemical.

BURGESS: Now, I guess I'm a little confused. Did the EPA -- you all approached the EPA for permission to use that dispersant below the surface. How long does it take to get the approval to use that?

MCKAY: Well, we've -- we've requested several attempts, and there have been three tests. The last one ended yesterday, I think, at 4-something in the morning. That was a 24-hour test. It looks like the impact of it was really good. We've asked for the EPA to allow us to continue. I don't know as of yet if we've gotten the approval yet, but we're ready to go on continuous injection.

BURGESS: Typically, how long does it take to get EPA approval to use a new material like that?

MCKAY: I don't know.

BURGESS: Now, there -- I know there's a college in my district back in Denton, Texas, University of North Texas, does a lot of research on nano materials, and they've got what they call double medical -- noble metal nano particles as well as porous metal organic frameworks that can absorb petroleum selectively and to a large differential. Are you guys looking at using anything along those lines?

MCKAY: Absolutely. I -- I think -- I think it was a bit earlier on technology. This industry has massively, massively scaled up for oil spill response in the Gulf Coast, using all technologies.

BURGESS: Right. And it doesn't have to be hay bales shot over the Gulf. There are large-scale -- the ability to do large-scale dispersion.

MCKAY: Massive amount of equipment in the Gulf Coast.

BURGESS: OK. Let me, you know, just going back to the pressure differential for a moment, Mr. McKay, Mr. Newman, either -- either one of you, would you get -- you know, a lot of what's happened today, or a lot of the questions that have come out today, kind of relate to who's in charge.

And I guess, Mr. Newman, really, it's Transocean, the -- the offshore operations manager or whatever it's called. That is the person who is ultimately in charge of -- of everything on the rig. That's the captain of the ship, right?

NEWMAN: Well, if I could clarify that, Congressman, the -- and offshore drilling rig is a complex piece of it. There's a hotel operator to provide accommodations for workers when they're not working. There's a power plant on the rig. There are...

BURGESS: But somebody's ultimately in charge of -- of decisions, is there not?

NEWMAN: The -- the offshore installation manager is ultimately responsible for the maintenance of the rig, for the material handling operations on the rig, for the condition of the hotel on the rig. The offshore installation manager cedes decision-making to the customer representative when it comes to...

BURGESS: OK.

NEWMAN: ... when it comes to decisions that respect the wellbore.

BURGESS: So when you've got an anomalous result on that pressure differential, is it ever appropriate -- and, really, Mr. Newman or Mr. McKay, either one of can answer this -- is it ever appropriate to seek the advice or the permission or what is the role of the Mineral Management Service when something like that occurs?

MCKAY: I don't know in a specific situation like that.

BURGESS: We're going to override an anomalous result and remove the drilling mud, which is the primary protector. Even before the blowout protector, is the primary protector of the well blowing out. Would -- would you have ever consulted with -- with any regulator at the federal level, or is that just not done?

MCKAY: I -- I can't -- I can't speculate on when a federal regulator would be contacted, whether that situation would apply or not. I don't know. The investigation is going to determine a lot of this.

BURGESS: But I guess that's really a question that's going to have to be answered.

And -- and, Mr. Chairman, you know it just brings us right back to where I started this morning. We're going to have multiple hearings on this, I suspect, and at some point we have got to involve the Department of the Interior, Department of Homeland Security, Mineral Management Services. We've got to involve these individuals. And now the name Carol Browner came up, the White House's energy czar. It would be very interesting to have her come talk to us as well.

We need to get the information, and it is unfortunately going to involve getting the administration to be cooperative with this committee for a change. So just with that caveat in mind, I'll yield back the balance of my time and thank you for and our witnesses for a very productive hearing today.

STUPAK: Well, thank you, Mr. Burgess. As you know, I don't believe in doing one hearing. I will get into an issue, and we will have further hearings here. And the administration may be appropriate at another hearing to have them here, including the Mineral Management Service.

And the administration on this issue and -- and all the issues that have been before the subcommittee and this Congress has been cooperative. Even some document requests you have sent in the past have been -- was -- was worked out between us, so we will continue to work on it.

Mr. Scalise, any questions?

SCALISE: Just, first, on all of the -- the information that I'd asked from the panel, if they could get that to the full committee as well and...

STUPAK: Correct. And I would just -- it may be good just to follow them up with written questions, too, as I'll say in a few minutes. We have 10 days for further follow-up questions.

SCALISE: Be happy to. Thank you, Mr. Chairman.

BURGESS: Mr. Chairman, could I ask that all materials on both sides that were actually made available to the committee be available to the committee staff as well?

STUPAK: Yes. No objection. All information has been available. It's all been shared equally thus far. If there is any further or something you don't think was there, please let us know. We'll make sure it's there.

Let me ask one more question, Mr. Moore, if I may. The lessons we learned thus far about worked and what didn't work with the BOP, the blowout preventer, do you, the Cameron company, do you think the design changes should be made to BOPs and should there be modifications to the existing BOPs in service now?

MOORE: I'm not sure, Congressman. I think we need to see what happened to that BOP. I think it would be -- change something that's not broke. We don't know what happened. We do know that we're going to have to look at a lot of different things differently going forward in terms of how we move forward in this industry. STUPAK: Well, look at that design one -- just, you know, you had your communications, your hydraulics and -- and the power -- the power.

MOORE: Right.

STUPAK: It seems all three have to be severed before it'll work. I think one or two before it would work.

MOORE: Well, the design, as I said, of that was to function we need lose the riser...

STUPAK: Sure.

MOORE: ... from the BOP, and we...

STUPAK: We didn't lose the riser here.

MOORE: We didn't lose the riser here, so we learned something. And Cameron's committed to make the changes to -- working with our customers and working with the industry to move forward.

STUPAK: Well, thank you.

And thank you to all the witnesses. I know it's been a long day. This is not an easy subject, and it's just beginning, and we're in the early stages. There will be more questions and answers I'm sure.

And, unfortunately, to the people who lost their lives, our hearts go out to them and their families and coworkers.

So thank you for being here.

That concludes all questioning. I want to thank all of our witnesses for coming today and for your testimony.

The committee rules provide that members have 10 days to submit additional questions for the record.

I ask unanimous consent that the contents of our document binder be entered in the record, provided that the committee staff may redact any information that is business proprietary, relates to privacy concerns or is law enforcement sensitive. Without objection, documents will be entered in the record.

That concludes our hearing. The meeting of the subcommittee is adjourned.