

**STATEMENT OF
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BEFORE THE

**COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE**

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Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear here today to provide you with an update on the status of offshore oil and gas production that has been shut in due to hurricane Katrina. I would also like to take this opportunity to provide you with a look at what we are doing to support the safe resumption of production in the Gulf of Mexico.

It is difficult to comprehend or express the horrific impacts on the people in the Gulf of Mexico region. The loss of lives, livelihoods and property is mind boggling to say the least. Katrina, a category 4 hurricane with winds over 145 mph, will likely be recorded as the worst natural disaster in the history of the United States. Every day we are learning more about the extent of the casualties and destruction left in the wake of Katrina.

As Katrina approached, those who serve at the Department of the Interior prepared for the worst. Department bureaus efficiently activated their emergency plans, security facilities and evacuated employees. The Minerals Management Service (MMS) implemented its Gulf of Mexico Continuity of Operations Plan (COOP) and moved key personnel to Houston. In the coming days, we will move more people and resources there to help in efforts to bring facilities back on line and resume normal operations. The Department continues to account for employees who evacuated the area with their families. The Department and MMS employees will continue to do whatever we can to help our Gulf colleagues and neighbors.

Our focus now is to ensure that the offshore oil and gas operations are brought on-line safely and as soon as possible. Progress is being made. On Monday, when the storm hit, 615 platforms and 90 drilling rigs had been evacuated. By Thursday, September 1, the numbers had dropped to 423 and 64, respectively. As the platforms are coming back online, so is oil production. The oil and gas produced from the Outer Continental Shelf (OCS) in the Gulf of Mexico plays a major role supplying our daily domestic energy needs, accounting for about 29% of domestic oil production and 21% of domestic gas production. While it will be several days before we have a more complete assessment, it appears many of the high-production facilities weathered the storm without major damage.

Latest Production Shut-In Statistics

As of Thursday, September 1, MMS reported the following evacuation and production shut-in statistics based on reports from 68 companies:

	Total
Platforms Still Unmanned	423
Rigs Still Unmanned	64
Oil, Barrels Per Day (BOPD) Shut-in	1,356,498
Gas, Billion Cubic Feet (BCF) Per Day Shut-In	7.8

As discussed above, on Monday, when the storm hit, 615 platforms had been evacuated and so had 90 drilling rigs. By Thursday, September 1, these numbers were 423 and 64, respectively. The difference in a week's time is due to the platforms that were evacuated as a precaution but were not in the path of the storm and suffered no damage, and those platforms that were unscathed by the storm, although in the path, and were remanned immediately after the assessment was done.

These evacuations are equivalent to 52% of 819 manned platforms and 48% of 137 rigs currently operating in the Gulf of Mexico (GOM).

As of Thursday, September 1, shut-in oil production was 1,356,498 barrels per day. This shut-in oil production is equivalent to 90% of the daily oil

production in the Gulf, which is currently approximately 1.5 million barrels per day.

As of Thursday, September 1, shut-in gas production is 7.8 billion cubic feet per day. This shut-in gas production is equivalent to 79% of the daily gas production in the Gulf, which is currently approximately 10 billion cubic feet per day.

The cumulative shut-in oil production for the period 8/26/05-9/1/05 is 7,441,566 barrels, which is equivalent to 1% of the yearly production of oil in the Gulf, which is approximately 547 million barrels.

The cumulative shut-in gas production 8/26/05-9/1/05 is 42 billion cubic feet, which is equivalent to 1% of the yearly production of gas in the Gulf, which is approximately 3.65 trillion cubic feet.

These cumulative numbers reflect updated production numbers through Thursday from all previous reports.

MMS Operations

We have three overriding principles in dealing with tropical storms or hurricanes:

- evacuate the workers so there is no loss of life or injury
- protect the Nation's supply of oil and gas from long-term disruption of production
- protect the environment from oil spills

We work on each of these goals in close cooperation with our partners in the U.S. Coast Guard and with the regulated oil and gas industry.

Many platforms under MMS jurisdiction are designed to be manned but also designed to be evacuated for short periods of time. The oil and gas industry starts the evacuation of personnel far in advance of a tropical storm or hurricane. Non-essential personnel are removed from the oil platforms many days in advance--starting with areas nearest the storm track. The rest evacuate after securing the facility. The industry relies on weather predictions from the National Oceanic and Atmospheric Administration and others. It is an immense undertaking to evacuate the 25,000 to 30,000

people that are working offshore at any given time. Industry uses the huge fleet of crew boats, supply boats, and helicopters to service the evacuation efforts. MMS releases its 14 leased helicopters either all or in part to assist in this evacuation effort.

As a standard practice, industry shuts in all oil production when they evacuate the platform. In some cases, natural gas production is monitored from onshore through what is called a Supervisory Control and Data Acquisition or SCADA system. This allows the production to be stopped remotely if necessary.

Regarding the prevention of oil spills, the MMS has mandatory requirements for the use of downhole safety valves to shut off the flow of oil and gas in the event of a well failure. We are pleased that in the aftermath of Katrina, there have been no reported significant oil spills from production. If you recall, in Hurricane Ivan last year there were 7 platforms that were completely destroyed. These 7 platforms had a total of 75 oil wells. All 75 of the downhole safety valves held and no significant pollution occurred from them. Two of the wells had very minor gas leaks but nothing of any significance.

The MMS requires the operators to report their production shut-in statistics and number of evacuated platforms and drilling rigs. This allows MMS to issue frequent reports on how much production is shut-in. During Hurricane Ivan last summer, the very significant amount of production shut-in (83 percent of oil production and 53 percent of natural gas production at the peak) was quickly and dramatically reduced to only that production that involved damaged facilities – either platforms or pipelines.

The third area with which we are concerned is protecting the Nation's supply of oil and gas from long-term disruption. MMS deals with this issue principally in two ways. We incorporate into our regulations tough design standards for fixed and floating production facilities. These standards outline the acceptable wind strength, wave height, and other environmental conditions. Current design standards require industry to design facilities to Category 5 storm criteria. MMS also requires annual above-water structural inspections of all OCS platforms and periodic underwater structural surveys. We established these requirements to minimize the potential for platform damage from serious storm events.

Another area we focus on is facilitating the repairs to facilities in an efficient and expedited manner. Hurricane operations plans provide guidance to operators on how to ensure the integrity of all systems, from visible production equipment on the platform to the thousands of miles of pipeline that rest on the seafloor. Any damage to facilities is identified and necessary repairs completed before systems resume production. As I will note later in this testimony, we are taking steps to ensure that MMS resources are available to review company plans to bring production back on line.

Following major hurricanes, we make a systematic effort to identify lessons learned and take steps to prepare for future hurricane seasons. Following Hurricane Ivan, we focused on five principal areas:

First, MMS concluded that the basic design standards for deep water floating production systems seem adequate. We had no floating production facility failures.

Second, MMS saw that some drilling units installed on the floating production platforms moved on their supports and caused damage. In consultation with MMS, industry has tightened the bolting mechanism and strengthened the clamps that secure these drilling packages on the floating platforms.

Third, MMS issued a new reporting requirement for the 2005 hurricane season – NTL 2005 G-6. This requires industry to submit statistics to the MMS Gulf of Mexico Region (GOMR) regarding evacuation of personnel and curtailment of production because of hurricanes, tropical storms, or other natural disasters. Operators must include both those platforms and drilling rigs that are evacuated and those that they anticipate will be evacuated. Evacuation is defined as the removal of any personnel (both essential and non-essential) from a platform or drilling rig. In addition, operators submit a report regarding facilities remaining shut-in. This report includes basic platform information, prior production information, estimated time to resumption of operations and the reason for shut-in (facility damage or transportation system damage). Operators must notify the MMS GOMR when production is resumed.

Fourth, MMS issued contracts for six new engineering and technical studies to look closely at the damage caused by Hurricane Ivan and what design or operational changes may need to be made.

Fifth, MMS consulted heavily with industry experts and in July jointly sponsored with the American Petroleum Institute a conference in Houston, Texas, on offshore hurricane readiness and recovery to more fully discuss these issues.

We will conduct similar reviews and assessments of facility performance and impacts from Hurricane Katrina to identify any additional steps that need to be taken.

A full assessment following hurricane Katrina will require several more days and will require an integrated view of production and drilling facilities, ports, electricity, availability of repair equipment, availability of workers, and potentially other factors. Crew began to re-board platforms by Wednesday last week.

As to be expected, many production and exploration facilities sustained significant damage, but early reports indicate that many facilities could come back on line in days and weeks rather than months. Many of the deep water high output facilities appear to have survived with minimal damage.

A different scenario is playing out in the aftermath of Katrina that was not part of previous storm recovery events. The infrastructure of many onshore support facilities sustained damage from hurricane Katrina. These facilities provide vital support for the offshore oil and natural gas industry. However, many do not have electricity, are inundated with water, and sustained damage from hurricane winds. These support facilities are important jumping off points for industry workers and MMS inspectors to conduct pipeline and structure repairs and their availability will be a key factor in getting production online and onshore.

MMS Staff and COOP Operations

- MMS implemented its Gulf of Mexico Region COOP (Continuity of Operations Plan). Key personnel and operations are up and running in Houston.
- As part of the COOP, MMS established communication channels providing staff critical information through call-in lines and internet.

- MMS provided two weeks administrative leave for all non-essential personnel who have been affected by Katrina and were not called to Houston or any other MMS office.
- MMS coordinated with the energy operators to address mutual needs for helicopters to perform fly over inspections.
- The MMS district offices have performed fly overs of key facilities in the hurricanes path to perform independent assessments as to potential damage.
- Four of Five districts in GOM region are up and running. The GOM regional operations, relocated in Houston, are providing advice to companies on their plans to bring production back on line.
- MMS is coordinating with the Coast Guard as a contingency for oil spill response.
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Conclusion

Mr. Chairman, Hurricane Katrina has certainly dealt the Central Gulf of Mexico region, its people and the industry a very heavy blow. The Department has begun to put its people and resources in place to assist in responding to this tragic event. Progress is being made. The MMS Continuity of Operations Plan is in place and is working. Under this plan, we will work with industry to assess damages, facilitate repairs and resume full production of oil and gas on the Federal OCS – all in a manner to ensure the safety of personnel, integrity of the offshore infrastructure, and protection of the marine environment.

Based on our experience with Hurricane Ivan, production from undamaged facilities will be back on line in a matter of days, but it will take some time, weeks or even months before we are back up to 100%. We stand ready to meet the challenge before us. We will continue to keep Congress, the public and the media informed of the progress of these operations.