



Oilgram News/OPR Extra

A special edition from the editors of Platts

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As it has during other crises affecting oil and other energy markets, such as hurricanes Katrina, Rita and Ivan, Platts is producing this special summary of events surrounding the Deepwater Horizon rig disaster in the Gulf of Mexico. This special joint edition of Platts Oilgram News and OPR Extra will be published as frequently as Platts believes necessary to give its readers a quick summary of developments surrounding the leak at the wellhead, the growing footprint of the spill, and the impact these occurrences are having on markets and on US federal energy policy.

Government actions

BP Efforts

■ BP hoped to shut one of three leaks at the Macondo wellhead in the Gulf of Mexico later Tuesday, a senior company official said. A valve was placed on one of three leaks at the wellhead, said Doug Suttles, BP America's chief operating officer, at a press briefing in Mobile, Alabama. "We cut off the end of a piece of pipe, put a valve over it and hope to go to two [leaks]," said Suttles. The well is still leaking believed leaking about 5,000 b/d of crude.

BP also expects to have its first containment device in place for the leaking Macondo wellhead in the next six days, with shipping expected to begin about noon Wednesday, Suttles said. The containment system represents BP's strategy for diverting the flow of crude from the well into a dome-like structure that would then pipe the oil to a vessel on the surface. The company believes the containment system could collect as much as 85% of the leak. The company will also to continue to drill a relief well that might take 90 days to complete.

BP has announced \$25 million in block grants to help the states of Louisiana, Mississippi, Alabama and Florida activate their local response plans to battle the environmental and economic impacts of the Macondo well disaster, Suttles said.

■ BP saw its shares slump further to an eight-month low Tuesday in London as its Macondo blowout continues to spew oil into the Gulf of Mexico, fueling concerns over an impending environmental disaster. Shares closed at GPP552.84, down 3.94%, on the London Stock Exchange.

Government moves

■ The White House will seek to work with Congressional leaders on changing the law that currently caps the liability of oil companies involved in a spill at \$75 million, press secretary Robert Gibbs said. On Monday, US senators Bill Menendez and Frank Lautenberg and Bill Nelson, all Democrats, said they would introduce legislation to increase the current cap on damages from an oil spill to \$10 billion.

Menendez and Lautenberg, both from New Jersey, and Nelson, from Florida, warned any move to expand offshore drilling, whether part of a climate change bill or as presidential action, was "dead on arrival." Nelson said he would use a filibuster to block any bill that contained additional offshore drilling provisions. "If offshore drilling off the continental US is part of [the climate bill], this legislation is not going anywhere, and it's especially not going anywhere if the drilling is offshore Florida," he said.

■ The Macondo prospect spill will lead to a "major review" of all required offshore drilling equipment and procedures, US Senator David Vitter, a Louisiana Republican, said. In an MSNBC television interview, Vitter said that while it's still too early to say what changes will come in the wake of the disaster, he said it's "safe to say a lot is going to change."

■ The US Minerals Management Service canceled a Tuesday press conference at the Offshore Technology Conference in Houston because its staff is focused solely on the response to the oil spill in the US Gulf of Mexico, according to an agency employee.

Industry reaction

■ The oil spill in the US Gulf of Mexico has not yet had a big impact on the clean and dirty tanker markets, but that is likely to change if the slick encroaches on shipping routes, industry sources said. "The effect of the encroaching oil spill upon seaborne traffic and anchorage areas is yet to be fully realized, but the potential dilemma posed to US refiners and impending delays to tanker deliveries is certainly worth paying close attention to," analysts at McQuillan said a report.

■ Marathon Oil is monitoring the massive oil slick in the US Gulf of Mexico for any impact it could have on its refining operations in Garyville, Louisiana, CEO Clarence Cazalot said Tuesday. "We will watch from a downstream standpoint for impacts on our access to (the Louisiana Offshore Oil Port) and up the Mississippi River," Cazalot said.

■ Oil services provider Baker Hughes has been forced to move its equipment from three or four rigs in the Gulf of Mexico in response to Macondo oil spill, company CEO Chad Deaton said Tuesday. The move came after the rigs were surrounded by the oil slick. The well has spewed an estimated 5,000 b/d into the Gulf, Deaton said. "It was a safety measure; the clients got the people off the rigs," he said.

■ A Norwegian oil industry group said Tuesday it would help fight the Macondo prospect oil spill in the US Gulf of Mexico after receiving a request for aid from operator BP, according to Agence France Presse. At first, 150 cubic meters (5,297 cubic feet) of dispersants would be sent to the Gulf of Mexico, said NOFO, a Norwegian industry associa-



tion for battling oil spills, adding it was prepared to offer more help if needed, according to AFR. "In addition to dispersants, we have equipment for both open sea and coastal operations, as well as personnel who can quickly be mobilized if we are asked for help," NOFO chief Sjur Knudsen said in a statement.

■ Petrobras CEO Jose Sergio Gabrielli, at the Offshore Technology Conference in Houston, said it was too soon to know if his company, a leading offshore oil operator, would make operational changes in light of the disaster. "It is too early to say whether we are going to change anything," Gabrielli said. The industry should "try to learn from this and use the maximum knowledge to prevent future events like that," he said.

Environment

■ The Loop current that flows through the Gulf of Mexico is not likely to move toward the Macondo oil spill, a top scientist for the National Oceanic and Atmospheric Administration said Tuesday. Charlie Henry, NOAA's oil spill expert and also the agency's support site coordinator with the US Coast Guard, said he does not expect the roughly 5,000 b/d of oil leaking from the BP-operated Macondo well to enter the current, which is the chief way that water moves through the US Gulf. The Loop current travels south of Macondo, located at Mississippi Canyon Block 252, and "we don't believe the current will move up," Henry said. Henry said this time of year is near to the period when "strong" northern cold fronts appear with extended winds. That "reduces the potential to connect with the Loop current," he said.

Background

■ An explosion ripped through the Deepwater Horizon drilling rig in the Gulf of Mexico on April 20, killing 11 of the 126-person crew. A fire raged for about 36 hours before a second blast sank the rig on April 22. The well's blowout preventer failed to activate, resulting in an oil leak that officials currently estimate is occurring at a rate of about 5,000 b/d. The rig was working BP's Macondo prospect in 4,993 feet of water, about 40 miles offshore Venice, Louisiana. BP operates the well and own a 65% stake; partners include Anadarko (25%) and Japan's Mitsui (10%).