USA Today

Storms could push oil rig design change
David J. Lynch
November 14, 2005; Money, p.B3

HOUSTON -- As they struggle to restore oil and gas production in the Gulf of Mexico, industry executives are mapping potential upgrades in equipment and operations to minimize future storm-related stoppages.

Drilling specialists now are considering adding additional anchors to deepwater rigs to hold them in place even amid hurricane-driven waves. The standard rig design using eight mooring points could be increased to 12 or 16, says Guy Cantwell, a spokesman for Transocean, a leading rig operator.

"It's pretty certain something different will be done," Cantwell says.

Hurricanes Katrina and Rita destroyed five drilling rigs in deep waters off Louisiana and Texas and caused 19 others to break free of their moorings. One wandering rig is suspected of toppling a major offshore platform owned by Chevron called Typhoon. Dragging anchors behind them, runaway rigs also ripped up oil and gas pipelines along the ocean floor.

This week, the federal government's Minerals Management Service will convene a Washington meeting to discuss deepwater rig design in light of lessons learned from the recent hurricanes. Transocean is analyzing potential upgrades in rig design and operations, which it expects to finalize by spring.

The design changes being eyed are unlikely to present insurmountable technical obstacles. But they will add to the time required to shift rigs between drilling jobs, exacerbating a global rig shortage.

That's bad news for a market still evenly balanced between supply and demand. Prices at the gas pump have eased as flooded refineries resumed producing gasoline. But eleven weeks after Katrina made landfall, more than 49% of oil production and 40% of natural gas output in the Gulf of Mexico remains shut off.

Crews continue to chip away at the myriad problems dogging the storm-damaged network of offshore platforms, pipelines and onshore processing facilities. But it's slow going. "The easy stuff has been done. The other stuff is going to be very hard to do," investment banker Matt Simmons says.

Industry executives now say that production at some offshore wells might remain closed permanently. Some aging wells don't have enough oil or gas reserves left to make reviving them financially feasible.
Apache, a major independent producer in the Gulf, lost nine offshore platforms to the hurricanes. Company officials are assessing how many should be replaced and what should be done with aging wells that don't warrant that investment, says Tony Lentini, Apache's vice president for public affairs.

CNN.com

Oil rigs leaving Gulf of Mexico
Drilling companies are sending vital shallow-water rigs abroad, driving up domestic energy prices, according to a report.
July 5 2006

NEW YORK (CNNMoney.com) -- Oil rigs are leaving the Gulf of Mexico in record numbers, threatening to put upward pressure on U.S. oil and natural gas prices, according to a report published Wednesday.

Drilling companies are increasingly signing long-term deals with oil firms to send their rigs to more promising drilling regions overseas, said the Wall Street Journal.

Houston's GlobalSantaFe, for instance, agreed to a deal to send four rigs from the Gulf of Mexico to the the Persian Gulf to serve Aramco, the Saudi national oil company, said the report. Many of the easily reached oil reserves in the Gulf of Mexico have already been drilled, while new prospects are being discovered off Africa, the Middle East and China.

Natural gas is mostly a local market, so decreased U.S. supplies won't be easily offset by international imports, said the Journal. Oil is a global commodity, so the impact of the departing rigs on American oil prices will be less.

www.washingtonpost.com

Interior Expands Energy Search
By H. Josef Hebert
The Associated Press
Monday, April 30, 2007

WASHINGTON -- The Interior Department announced a major expansion of offshore oil and gas development Monday with proposed lease sales covering 48 million new acres off Alaska, in the eastern Gulf of Mexico and in the central Atlantic off Virginia.
The 3 million acres that are 50 miles off Virginia's coast would require Congress to lift a longstanding drilling moratorium that has covered most ocean waters outside the western Gulf of Mexico for decades. The Democratic-controlled Congress has given no indication it is willing to lift the long-standing moratorium.

Sen. Jim Webb, D-Va., said in a statement that any plan to allow drilling off his state must protect coastal economies that are heavily dependent on tourism. Virginia Gov. Timothy Kaine said that at this time the state would accept only offshore exploration for gas, but not its development.

Sen. Bill Nelson, D-Fla., who last year threatened to filibuster legislation that would expand offshore oil and gas drilling beyond the central Gulf of Mexico, said the Interior plan "calls into question why the White House remains intent on drilling elsewhere off our coasts and fattening the bottom line of the oil companies."

Despite concerns from many environmentalists, Interior Secretary Dirk Kempthorne said he was convinced the oil and gas development could proceed and still assure "the highest environmental standards" are met. He said no leases would be issued without further environmental review and that in some cases environmentally sensitive areas would be off limits.

But Kempthorne said the 21 lease sales planned in coastal waters over the next five years could produce 10 billion barrels of oil and 45 trillion cubic feet of natural gas.

"This energy production will create jobs, provide greater economic and energy security for America and can be accomplished in a safe and environmentally sound manner," said Kempthorne at a news conference.

The Interior Department had said last year it was considering opening new waters off Alaska in the eastern Gulf of Mexico and _ if Congress goes along _ off Virginia where energy companies believe there are significant amounts of natural gas.

Also, last year, Congress directed the Interior Department to make available 8.3 million acres in the east-central Gulf that long had been off limits and begin issuing leases within a year. The department's five-year plan mirrors essentially the congressional directive in the Gulf of Mexico, assuring no drilling within 125 miles of Florida's coast.

The five-year plan calls for a lease sale for the first time in Bristol Bay off Alaska, an area of 5.6 million acres that until earlier this year had been off limits to energy development by presidential directive.

Environmentalists and many commercial fishermen have argued the bay, which has huge annual catches of salmon, cod, king crab and herring, should be protected from oil and gas drilling. President Bush in January lifted a presidential ban on drilling in Bristol Bay, foreshadowing the likely lease sale.
The Sierra Club in a statement Monday decried the decision to open Bristol Bay to oil and gas companies, fearing that energy development posed a threat to "one of the largest wild salmon runs in the world" as well as the habitat of an array of marine life from Steller sea lions to endangered whale.

The department said eight lease sales are scheduled off Alaska in Bristol Bay, Cook Inlet, and the Chukchi Sea and Beaufort Sea off the North Slope; 12 in the Gulf of Mexico and one off Virginia.

Kempthorne said that while no leases could be issued off Virginia unless Congress lifted its moratorium, the area was included in the five-year plan because state officials had requested it be in the plan. No exploratory drilling or development would be allowed within 50 miles of shore. An area that extends out from the mouth of Chesapeake Bay also would be off limits.

Except for the Virginia leases, the five-year plan goes into effect unless Congress blocks it within 60 days.

New York Times
May 8, 2007
Official Who Oversees Gulf Oil Drilling to Retire
By BLOOMBERG NEWS

Johnnie Burton, the top federal official overseeing Gulf of Mexico oil and gas drilling, will retire, effective at the end of this month, Dirk Kempthorne, the interior secretary, said yesterday.

“I respect your decision to return to your family and to the West we both love,” Mr. Kempthorne wrote in a letter accepting Ms. Burton’s resignation, according to a release from the department.

Ms. Burton served as director of the Minerals Management Service during the disclosure of an error that may allow drillers to avoid more than $10 billion in royalties on oil and gas produced under federal leases. While the mistake occurred before President Bush appointed her in 2002, an investigation revealed that Ms. Burton failed to take swift action.

The Minerals Management Service employs about 1,700 people in 20 cities, with more than 1.76 billion offshore acres under its control. The agency collected $12.8 billion in royalties in 2006.

Ms. Burton was in charge during the development of a plan to expand oil and natural gas drilling on 48 million acres in the Gulf of Mexico, off the coast of Virginia and in parts of Alaska including Bristol Bay. The recommendation furthers a Bush initiative to increase domestic supplies of oil and gas.
Still, she may be remembered for her actions regarding drilling leases issued by the agency in 1998 and 1999 that omitted price thresholds that would require royalty payments when oil and gas prices rise. Ms. Burton told Congress in September she first learned about the mistake in early 2006.

She was confronted with evidence that her employees told her about the leases in 2004 and that she failed to take action, the inspector general said in a report.

The controversy “did not play a role in the decision” to retire and Mr. Kempthorne did not seek her resignation, said an Interior Department spokesman, Chris Paolino. “This was just her decision. She’s put in five full years as the director.”

Ms. Burton’s agency drew criticism from Congress and from some within her agency, who said her enforcement of royalty collections was lackluster. Three of her agency’s auditors have said they were ordered by superiors to drop their findings that major oil companies intentionally underpaid the government.

All three auditors filed their own lawsuits against the oil companies.

The Interior Department’s inspector general is investigating those issues.