

Subject: WSJ -- Alaska proe focuses on BP & Nabors Drilling

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From: HamelChuck@cs.com

To: HamelChuck@cs.com

Conversation: WSJ -- Alaska proe focuses on BP & Nabors Drilling

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Alaska Probe Focuses on BP, Nabors --- Workers Allege Companies Failed to Report Blowouts, Falsified Drilling Records

By Jim Carlton

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Alaska state officials said they are investigating allegations that BP PLC and one of its contractors twice failed to report blowouts at the giant Prudhoe Bay oil field and also falsified drilling records.

If verified, the allegations would raise new questions about the industry's ability to operate safely, at a time when Congressional Republicans are pushing again for drilling in Alaska's Arctic National Wildlife Refuge. The allegations also could add to other problems the British oil giant has encountered as one of the largest operators on the Alaskan North Slope.

For example, BP in January paid a \$700,000 fine to the Alaska Oil and Gas Conservation Commission on behalf of a consortium of North Slope oil owners for violations related to a 2002 well explosion at Prudhoe Bay.

The two blowouts -- uncontrolled releases of hydrocarbon liquids and gas out of a well -- allegedly took place on rigs operated by Nabors Industries Ltd., a Barbados-based firm that was contracted by BP to drill there, state officials said. **Michael Mason, a worker who said he was on the scene of both spills, and another worker also at both incidents said the first blowout took place on July 3, 2003, and involved about 2,600 gallons of sludge. The other, they said, took place last Dec. 6 when about 1,800 gallons gushed from a well.**

Officials at the state Oil and Gas Conservation Commission and at the Alaska Department of Environmental Conservation said they aren't aware of being alerted to either of the incidents, as required by state law. Failure to do so could be a misdemeanor punishable by a maximum fine of \$10,000 per day of violation, as much as a year in jail, or both, said Ed Meggert, on-scene coordinator for the Department of Environmental Conservation.

Mr. Mason and another Nabors employee, Antonio Escobar, in December also provided sworn statements in an unrelated lawsuit, filed in 2003 in state superior court in Anchorage, that rig supervisors routinely falsified reports to show equipment designed to prevent blowouts was passing state-mandated performance tests. Mr. Mason, a Nabors employee, said the falsifications had been going on "for years," and often involved a supervisor writing down that blowout equipment passed a test when a test wasn't fully carried out.

BP spokesman Daren Beaudou said BP and Nabors are trying to determine the validity of the allegations and haven't reached any conclusions. "Whatever the truth is, that is what we are after," Mr. Beaudou said. Nabors spokesman Denny Smith said his company has completed its investigation, and found the charges without merit. Mr. Smith said a "fine mist of drilling fluid" escaped from a well on Dec. 6, not an uncontrolled blowout. He also said the company had found no evidence of the blowout in 2003, nor of the alleged records falsification.

By Alaska law, blowout devices are supposed to be tested at least every two weeks when drilling is under way. State policy has been for copies of those test results to be submitted to the state oil and gas commission. Jim Regg, an investigator for the commission, said it is too early to tell what penalty could be imposed if his office confirms that records were falsified.

The two state agencies launched their investigations after **Charles Hamel**, a frequent oil-industry critic from Alexandria, Va., relayed the workers' allegations to U.S. Sen. Ted Stevens of Alaska on Jan. 20.