Blowout Could Tip Regulator Focus to Shallow-Water

JEFF AMY, Associated Press

(AP) — Last week's blowout on a natural gas rig off the Louisiana coast could shift regulators' focus to shallow-water drilling and make an overhaul of safety equipment regulations more likely.

This Thursday, July 25, 2013 image provided by the Bureau of Safety and Environmental Enforcement shows the aftermath of the fire aboard Hercules 265 gas well seen during an overflight observation after the drilling rig that caught fire after a natural gas blowout in the Gulf of Mexico. Scientists are trying to figure out if a well that blew wild last week off the Louisiana coast is polluting the Gulf of Mexico. The researchers gathered water samples about five miles from the rig Saturday, July 27. That's as close as Coast Guard officials allowed them to get. They also released long cylinders that will drift with the current, tracking the likely path of any contamination. **(AP Photo/Bureau of Safety aqnd Environmental Enforcement)**

The rig, owned by Hercules Offshore and operated under contract to Walter Gas & Oil, spewed gas July 23 that eventually ignited. The fire damaged the Hercules 265, which was within days of wrapping up its drilling contract. No injuries were reported and 44 workers were evacuated before the fire began.

Authorities believe sand and sediment clogged the well the next day, shutting off the gas.

The federal Bureau of Safety and Environmental Enforcement has opened an investigation, working with the Coast Guard.

Interest is expected to focus on the apparent failure of the blowout preventer, a series of that's supposed to shut off flow from a well when drillers lose control.

Failure of a blowout preventer at the Gulf bottom about 5,000 feet beneath the Deepwater Horizon rig contributed to the massive oil spill from BP PLC's Macondo well in 2010.

James Watson, director of the federal Bureau of Safety and Environmental Enforcement, said he plans to meet with executives from shallow-water drilling companies to discuss safety and risk reduction.

"This vent and other recent incidents serve as a reminder that industry must rededicate its efforts to make safety its top priority, including in shallow water." Watson said in a statement.

Since the BP disaster, much of regulators' focus has been on drilling in Gulf water thousands of feet deep. That's where the biggest oil companies are chasing large new fields and the risks seemed greatest in the wake of the spill.

But inshore drilling continues as well, with some of the focus shifting to oil instead of natural gas as the price for gas has fallen because of onshore finds, including in shale formations.

Gas peaked at around $13 per million British thermal units in 2008, before the economic collapse. It's now trading at less than $4 per million BTUs. Crude oil had topped $130 per 42-gallon barrel before the collapse, but has rebounded more robustly and recently traded in the $107 range.

At the Walter site about 55 miles south of the coast, a relief well is expected to be drilled to provide a permanent seal. Bureau of Safety and Environmental Enforcement spokeswoman Eileen Angelico said Tuesday that other options for sealing the well remain under consideration.

Angelico said no gas is leaking and no sheen has been seen in the water. She said the blowout preventer has not yet been recovered.

The Walter blowout was the second incident in shallow water off Louisiana in less than a month. A crew on a production platform operated by Talos Energy lost control of a well July 9 while trying to plug it. The well leaked small amounts of gas and an oil-water mixture called condensate over three days, but did not suffer a blowout. There was no explosion.

BSEE had been studying possible changes to blowout preventer requirements before the latest well blowout, Watson said. Those comments have drawn congressional scrutiny. A July 12 letter signed by 11 Republican U.S. House members, including Louisiana's Steve Scalise, asked Watson about when new rules might be issued and whether they would require drillers to junk current blowout preventers.

The House members also lauded upgrades that companies have made and new voluntary standards published last year by the American Petroleum Institute.

"While improving safety is our mutual goal, we are somewhat concerned that regulators are failing to provide clarity for rig operators, inching toward substantial rules affecting that very same safety equipment that industry is voluntarily

upgrading," the group wrote.

Most blowout preventers are made by National Oilwell Varco Inc., Cameron International Corp. and Hydril Pressure Control, a unit of General Electric Co. Those companies have reported a surge in blowout preventer orders since the BP spill, as oil and gas drilling expands on land and sea.

Industry groups said they're not sure what the regulatory response will be, since BSEE hasn't determined a cause yet for the latest incident.

"That's a hard question to answer because the bureau is investigating right now," said Chris John, president of the Louisiana Mid-Continent Oil and Gas Association. John is a former congressman.

But those who've pushed for stiffer regulation have already renewed their calls.

"First, the industry itself needs to take the lead by forming an independent safety institute like the Institute for Nuclear Power Operations that was formed in the wake of the Three Mile Island disaster," National Resources Defense Council President Frances Beinecke said. "At the federal level, we need an independent offshore safety authority to oversee oil and gas operations."

Eben Burnham-Snyder, a spokesman for U.S. Sen. Edward Markey, D-Mass., said Markey may push for stronger fines for gas releases. He said Markey has questions about what happened with the blowout preventer.

"Accidents happen, but when accidents happen because you've made some mistakes, that's a real problem for the industry," Burnham-Snyder said.

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Associated Press writers Kevin McGill and Brian Schwaner in New Orleans contributed to this report.

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