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Office of the Press Secretary

For Immediate Release

May 27, 2010

Remarks by the President on the Gulf Oil Spill

East Room

12:50 P.M. EDT

THE PRESIDENT: Good afternoon, everybody. Before I take your questions, I want to update the American people on the status of the BP oil spill — a catastrophe that is causing tremendous hardship in the Gulf Coast, damaging a precious ecosystem, and one that led to the death of 11 workers who lost their lives in the initial explosion.

Yesterday, the federal government gave BP approval to move forward with a procedure known as a “top kill” to try to stop the leak. This involves plugging the well with densely packed mud to prevent any more oil from escaping. And given the complexity of this procedure and the depth of the leak, this procedure offers no guarantee of success. But we’re exploring any reasonable strategies to try and save the Gulf from a spill that may otherwise last until the relief wells are finished — and that’s a process that could take months.

The American people should know that from the moment this disaster began, the federal government has been in charge of the response effort. As far as I’m concerned, BP is responsible for this horrific disaster, and we will hold them fully accountable on behalf of the United States as well as the people and communities victimized by this tragedy. We will demand that they pay every dime they owe for the damage they’ve done and the painful losses that they’ve caused. And we will continue to take full advantage of the unique technology and expertise they have to help stop this leak.

But make no mistake: BP is operating at our direction. Every key decision and action they take must be approved by us in advance. I’ve designated Admiral Thad Allen — who has nearly four decades of experience responding to such disasters — as the National Incident Commander, and if he orders BP to do something to respond to this disaster, they are legally bound to do it. So, for example, when they said they would drill one relief well to stem this leak we demanded a backup and ordered them to drill two. And they are in the process of drilling two.

As we devise strategies to try and stop this leak, we’re also relying on the brightest minds and most advanced technology in the world. We’re relying on a team of scientists and engineers from our own national laboratories and from many other nations — a team led by our Energy Secretary and Nobel Prize-winning physicist, Stephen Chu. And we’re relying on experts who’ve actually dealt with oil spills from across the globe, though none this challenging.

The federal government is also directing the effort to contain and clean up the damage from the spill — which is now the largest effort of its kind in U.S. history. In this case, the federal, state, and local governments have the resources and expertise to play an even more direct role in the response effort. And I will be discussing this further when I make my second trip to Louisiana tomorrow. But so far we have about 20,000 people in the region who are working around the clock to contain and clean up this oil. We have activated about 1,400 members of the National Guard in four states. We have the Coast Guard on site. We have more than 1,300 vessels assisting in the containment and cleanup efforts. We’ve deployed over 3 million feet of total boom to stop the oil from coming on shore — and today more than 100,000 feet of boom is being surged to Louisiana parishes that are facing the greatest risk from the oil.

So we’ll continue to do whatever is necessary to protect and restore the Gulf Coast. For example, Admiral Allen just announced that we’re moving forward with a section of Governor Jindal’s barrier island proposal that could help stop oil from coming ashore. It will be built in an area that is most at risk and where the work can be most quickly completed.

We’re also doing whatever it takes to help the men and women whose livelihoods have been disrupted and even destroyed by this spill — everyone from fishermen to restaurant and hotel owners. So far the Small Business Administration has approved loans and allowed many small businesses to defer existing loan payments. At our insistence, BP is paying economic injury claims, and we’ll make sure that when all is said and done, the victims of

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this disaster will get the relief that they are owed. We're not going to abandon our fellow citizens. We'll help them recover and we will help them rebuild.

And in the meantime, I should also say that Americans can help by continuing to visit the communities and beaches of the Gulf Coast. I was talking to the governors just a couple of days ago, and they wanted me to remind everybody that except for three beaches in Louisiana, all of the Gulf's beaches are open. They are safe and they are clean.

As we continue our response effort, we're also moving quickly on steps to ensure that a catastrophe like this never happens again. I've said before that producing oil here in America is an essential part of our overall energy strategy. But all drilling must be safe.

In recent months, I've spoken about the dangers of too much -- I've heard people speaking about the dangers of too much government regulation. And I think we can all acknowledge there have been times in history when the government has overreached. But in this instance, the oil industry's cozy and sometimes corrupt relationship with government regulators meant little or no regulation at all.

When Secretary Salazar took office, he found a Minerals and Management Service that had been plagued by corruption for years -- this was the agency charged with not only providing permits, but also enforcing laws governing oil drilling. And the corruption was underscored by a recent Inspector General's report that covered activity which occurred prior to 2007 -- a report that can only be described as appalling. And Secretary Salazar immediately took steps to clean up that corruption. But this oil spill has made clear that more reforms are needed.

For years, there has been a scandalously close relationship between oil companies and the agency that regulates them. That's why we've decided to separate the people who permit the drilling from those who regulate and ensure the safety of the drilling.

I also announced that no new permits for drilling new wells will go forward until a 30-day safety and environmental review was conducted. That review is now complete. Its initial recommendations include aggressive new operating standards and requirements for offshore energy companies, which we will put in place.

Additionally, after reading the report's recommendations with Secretary Salazar and other members of my administration, we're going to be ordering the following actions: First, we will suspend the planned exploration of two locations off the coast of Alaska. Second, we will cancel the pending lease sale in the Gulf of Mexico and the proposed lease sale off the coast of Virginia. Third, we will continue the existing moratorium and suspend the issuance of new permits to drill new deepwater wells for six months. And four, we will suspend action on 33 deepwater exploratory wells currently being drilled in the Gulf of Mexico.

What's also been made clear from this disaster is that for years the oil and gas industry has leveraged such power that they have effectively been allowed to regulate themselves. One example: Under current law, the Interior Department has only 30 days to review an exploration plan submitted by an oil company. That leaves no time for the appropriate environmental review. They result is, they are continually waived. And this is just one example of a law that was tailored by the industry to serve their needs instead of the public's. So Congress needs to address these issues as soon as possible, and my administration will work with them to do so.

Still, preventing such a catastrophe in the future will require further study and deeper reform. That's why last Friday, I also signed an executive order establishing the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. While there are a number of ongoing investigations, including an independent review by the National Academy of Engineering, the purpose of this commission is to consider both the root causes of the disaster and offer options on what safety and environmental precautions are necessary.

If the laws on our books are inadequate to prevent such a spill, or if we did not enforce those laws, then I want to know. I want to know what worked and what didn't work in our response to the disaster, and where oversight of the oil and gas industry broke down.

Let me make one final point. More than anything else, this economic and environmental tragedy -- and it's a tragedy -- underscores the urgent need for this nation to develop clean, renewable sources of energy. Doing so will not only reduce threats to our environment, it will create a new, homegrown, American industry that can lead to countless new businesses and new jobs.

We've talked about doing this for decades, and we've made significant strides over the last year when it comes to investing in renewable energy and energy efficiency. The House of Representatives has already passed a bill that would finally jumpstart a permanent transition to a clean energy economy, and there is currently a plan in the Senate -- a plan that was developed with ideas from Democrats and Republicans -- that would achieve the same goal.

If nothing else, this disaster should serve as a wake-up call that it's time to move forward on this legislation. It's time to accelerate the competition with countries like China, who have already realized the future lies in renewable

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energy. And it's time to seize that future ourselves. So I call on Democrats and Republicans in Congress, working with my administration, to answer this challenge once and for all.

I'll close by saying this: This oil spill is an unprecedented disaster. The fact that the source of the leak is a mile under the surface, where no human being can go, has made it enormously difficult to stop. But we are relying on every resource and every idea, every expert and every bit of technology, to work to stop it. We will take ideas from anywhere, but we are going to stop it.

And I know that doesn't lessen the enormous sense of anger and frustration felt by people on the Gulf and so many Americans. Every day I see this leak continue I am angry and frustrated as well. I realize that this entire response effort will continue to be filtered through the typical prism of politics, but that's not what I care about right now. What I care about right now is the containment of this disaster and the health and safety and livelihoods of our neighbors in the Gulf Coast. And for as long as it takes, I intend to use the full force of the federal government to protect our fellow citizens and the place where they live. I can assure you of that.

All right. I'm going to take some questions. I'm going to start with Jennifer Loven.

Q Thank you, Mr. President. This is on, right?

THE PRESIDENT: Yes.

Q You just said that the federal government is in charge, and officials in your administration have said this repeatedly. Yet how do you explain that we're more than five weeks into this crisis and that BP is not always doing as you're asking, for example with the type of dispersant that's being used? And if I might add one more; to the many people in the Gulf who, as you said, are angry and frustrated and feel somewhat abandoned, what do you say about whether your personal involvement, your personal engagement, has been as much as it should be either privately or publicly?

THE PRESIDENT: Well, I'll take the second question first, if you don't mind. The day that the rig collapsed and fell to the bottom of the ocean, I had my team in the Oval Office that first day. Those who think that we were either slow on our response or lacked urgency don't know the facts. This has been our highest priority since this crisis occurred.

Personally, I'm briefed every day and have probably had more meetings on this issue than just about any issue since we did our Afghan review. And we understood from day one the potential enormity of this crisis and acted accordingly. So when it comes to the moment this crisis occurred, moving forward, this entire White House and this entire federal government has been singularly focused on how do we stop the leak, and how do we prevent and mitigate the damage to our coastlines.

The challenge we have is that we have not seen a leak like this before, and so people are going to be frustrated until it stops. And I understand that. And if you're living on the coast and you see this sludge coming at you, you are going to be continually upset, and from your perspective, the response is going to be continually inadequate until it actually stops. And that's entirely appropriate and understandable.

But from Thad Allen, our National Incident Coordinator, through the most junior member of the Coast Guard, or the under-under-under secretary of NOAA, or any of the agencies under my charge, they understand this is the single most important thing that we have to get right.

Now, with respect to the relationship between our government and BP, the United States government has always been in charge of making sure that the response is appropriate. BP, under the Oil Pollution Act of 1990, is considered the responsible party, which basically means they've got to pay for everything that's done to both stop the leak and mitigate the damage. They do so under our supervision, and any major decision that they make has to be done under the approval of Thad Allen, the National Incident Coordinator.

So this notion that somehow the federal government is sitting on the sidelines and for the three or four or five weeks we've just been letting BP make a whole bunch of decisions is simply not true.

What is true is that when it comes to stopping the leak down below, the federal government does not possess superior technology to BP. This is something, by the way -- going back to my involvement -- two or three days after this happened, we had a meeting down in the Situation Room in which I specifically asked Bob Gates and Mike Mullen what assets do we have that could potentially help that BP or other oil companies around the world do not have. We do not have superior technology when it comes to dealing with this particular crisis.

Now, one of the legitimate questions that I think needs to be asked is should the federal government have such capacity. And that's part of what the role of the commission is going to be, is to take a look and say, do we make sure that a consortium of oil companies pay for specifically technology to deal with this kind of incident when it happens. Should that response team that's effective be under the direct charge of the United States government or a private entity? But for now, BP has the best technology, along with the other oil companies, when it comes to

actually capping the well down there.

Now, when it comes to what's happening on the surface, we've been much more involved in the in-situ burns, in the skimming. Those have been happening more or less under our direction, and we feel comfortable about many of the steps that have been taken.

There have been areas where there have been disagreements, and I'll give you two examples. Initially on this top kill, there were questions in terms of how effective it could be, but also what were the risks involved, because we're operating at such a pressurized level, a mile underwater and in such frigid temperatures, that the reactions of various compounds and various approaches had to be calibrated very carefully. That's when I sent Steven Chu down, the Secretary of Energy, and he brought together a team, basically a brain trust, of some of the smartest folks we have at the National Labs and in academia to essentially serve as an oversight board with BP engineers and scientists in making calculations about how much mud could you pour down, how fast, without risking potentially the whole thing blowing.

So in that situation you've got the federal government directly overseeing what BP is doing, and Thad Allen is giving authorization when finally we feel comfortable that the risks of attempting a top kill, for example, are sufficiently reduced that it needs to be tried.

I already mentioned a second example, which is they wanted to drill one relief well. The experience has been that when you drill one relief well, potentially you keep on missing the mark. And so it's important to have two to maximize the speed and effectiveness of a relief well.

And right now Thad Allen is down there, because I think he -- it's his view that some of the allocation of boom or other efforts to protect shorelines hasn't been as nimble as it needs to be. And he said so publicly. And so he will be making sure that, in fact, the resources to protect the shorelines are there immediately.

But here's the broad point: There has never been a point during this crisis in which this administration, up and down the line, in all these agencies, hasn't, number one, understood this was my top priority -- getting this stopped and then mitigating the damage; and number two, understanding that if BP wasn't doing what our best options were, we were fully empowered and instruct them, to tell them to do something different.

And so if you take a look at what's transpired over the last four to five weeks, there may be areas where there have been disagreements, for example, on dispersants, and these are complicated issues. But overall, the decisions that have been made have been reflective of the best science that we've got, the best expert opinion that we have, and have been weighing various risks and various options to allocate our resources in such a way that we can get this fixed as quickly as possible.

Jake Tapper.

Q Thanks, Mr. President. You say that everything that could be done is being done, but there are those in the region and those industry experts who say that's not true. Governor Jindal obviously had this proposal for a barrier. They say that if that had been approved when they first asked for it, they would have 10 miles up already. There are fishermen down there who want to work, who want to help, haven't been trained, haven't been told to go do so. There are industry experts who say that they're surprised that tankers haven't been sent out there to vacuum, as was done in '93 outside Saudi Arabia. And then, of course, there's the fact that there are 17 countries that have offered to help and it's only been accepted from two countries, Norway and Mexico. How can you say that everything that can be done is being done with all these experts and all these officials saying that's not true?

THE PRESIDENT: Well, let me distinguish between -- if the question is, Jake, are we doing everything perfectly out there, then the answer is absolutely not. We can always do better. If the question is, are we, each time there is an idea, evaluating it and making a decision, is this the best option that we have right now, based on how quickly we can stop this leak and how much damage can we mitigate -- then the answer is yes.

So let's take the example of Governor Jindal's barrier islands idea. When I met with him when I was down there two weeks ago, I said I will make sure that our team immediately reviews this idea, that the Army Corps of Engineers is looking at the feasibility of it, and if they think -- if they tell me that this is the best approach to dealing with this problem, then we're going to move quickly to execute it. If they have a disagreement with Governor Jindal's experts as to whether this would be effective or not, whether it was going to be cost-effective, given the other things that need to be done, then we'll sit down and try to figure that out.

And that essentially is what happened, which is why today you saw an announcement where, from the Army Corps' perspective, there were some areas where this might work, but there are some areas where it would be counter-productive and not a good use of resources.

So the point is, on each of these points that you just mentioned, the job of our response team is to say, okay, if 17 countries have offered equipment and help, let's evaluate what they've offered: How fast can it get here? Is it actually going to be redundant, or will it actually add to the overall effort -- because in some cases, more may not

actually be better. And decisions have been made based on the best information available that says here's what we need right now. It may be that a week from now or two weeks from now or a month from now the offers from some of those countries might be more effectively utilized.

Now, it's going to be entirely possible in a operation this large that mistakes are made, judgments prove to be wrong; that people say in retrospect, you know, if we could have done that or we did that, this might have turned out differently -- although in a lot of cases it may be speculation. But the point that I was addressing from Jennifer was, does this administration maintain a constant sense of urgency about this, and are we examining every recommendation, every idea that's out there, and making our best judgment as to whether these are the right steps to take, based on the best experts that we know of. And on that answer, the answer is yes -- or on that question, the answer is yes.

Chuck Todd.

Q I just want to follow up on the question as it has to do with the relationship between the government and BP. It seems that you've made the case on the technical issues. But onshore, Admiral Allen admitted the other day in a White House briefing that they needed to be pushed harder. Senator Mary Landrieu this morning said it's not clear who's in charge, that the government should be in charge. Why not ask BP to simply step aside on the onshore stuff, make it an entirely government thing? Obviously BP pays for it, but why not ask them to just completely step aside on that front?

And then also, can you respond to all the Katrina comparisons that people are making about this with yourself?

THE PRESIDENT: Well, I'll take your second question first. I'll leave it to you guys to make those comparisons, and make judgments on it, because what I'm spending my time thinking about is how do we solve the problem. And when the problem is solved and people look back and do an assessment of all the various decisions that were made, I think people can make a historical judgment. And I'm confident that people are going to look back and say that this administration was on top of what was an unprecedented crisis.

In terms of shoreline protection, the way this thing has been set up under the oil spill act of 1990 -- Oil Pollution Act -- is that BP has contracts with a whole bunch of contractors on file in the event that there is an oil spill, and as soon as the Deep Horizon well went down, then their job is to activate those and start paying them. So a big chunk of the 20,000 who are already down there are being paid by BP.

The Coast Guard's job is to approve and authorize whatever BP is doing. Now, what Admiral Allen said today, and the reason he's down there today, is that if BP's contractors are not moving as nimbly and as effectively as they need to be, then it is already the power of the federal government to redirect those resources. I guess the point being that the Coast Guard and our military are potentially already in charge as long as we've got good information and we are making the right decisions.

And if there are mistakes that are being made right now, we've got the power to correct those decisions. We don't have to necessarily reconfigure the setup down there. What we do have to make sure of is, is that on each and every one of the decisions that are being made about what beaches to protect, what's going to happen with these marshes, if we build a barrier island, how is this going to have an impact on the ecology of the area over the long term -- in each of those decisions, we've got to get it right.

Q You understand the credibility of BP seems to be so bad -- that there's almost no trust that they're getting --

THE PRESIDENT: I understand. And part of the purpose of this press conference is to explain to the folks down in the Gulf that ultimately it is our folks down there who are responsible. If they're not satisfied with something that's happening, then they need to let us know and we will immediately question BP and ask them why isn't X, Y, Z happening. And those skimmers, those boats, that boom, the people who are out there collecting some of the oil that's already hit shore, they can be moved and redirected at any point.

And so, understandably, people are frustrated, because, look, this is a big mess coming to shore and even if we've got a perfect organizational structure, spots are going to be missed, oil is going to go to places that maybe somebody thinks it could have been prevented from going. There is going to be damage that is heartbreaking to see. People's livelihoods are going to be affected in painful ways. The best thing for us to do is to make sure that every decision about how we're allocating the resources that we've got is being made based on the best expert advice that's available.

So I'll take one last stab at this, Chuck. The problem I don't think is that BP is off running around doing whatever it wants and nobody is minding the store. Inevitably in something this big, there are going to be places where things fall short. But I want everybody to understand today that our teams are authorized to direct BP in the same way that they'd be authorized to direct those same teams if they were technically being paid by the federal government. In either circumstance, we've got the authority that we need. We just got to make sure that we're exercising it effectively.

All right, Steve Thomma.

Q Thank you, sir. On April 21st, Admiral Allen tells us the government started dispatching equipment rapidly to the Gulf, and you just said on day one you recognized the enormity of this situation. Yet here we are 39, 40 days later, you're still having to rush more equipment, more boom. There are still areas of the coast unprotected. Why is it taking so long? And did you really act from day one for a worst-case scenario?

THE PRESIDENT: We did. Part of the problem you've got is -- let's take the example of boom. The way the plans have been developed -- and I'm not an expert on this, but this is as it's been explained to me -- pre-deploying boom would have been the right thing to do; making sure that there is boom right there in the region at various spots where you could anticipate, if there was a spill of this size, the boom would be right there ready to grab.

Unfortunately, that wasn't always the case. And so this goes back to something that Jake asked earlier. When it comes to the response since the crisis happened, I am very confident that the federal government has acted consistently with a sense of urgency.

When it comes to prior to this accident happening, I think there was a lack of anticipating what the worst-case scenarios would be. And that's a problem. And part of that problem was lodged in MMS and the way that that agency was structured. That was the agency in charge of providing permitting and making decisions in terms of where drilling could take place, but also in charge of enforcing the safety provisions. And as I indicated before, the IG report, the Inspector General's report that came out, was scathing in terms of the problems there.

And when Ken Salazar came in, he cleaned a lot of that up. But more needed to be done, and more needs to be done, which is part of the reason why he separated out the permitting function from the functions that involve enforcing the various safety regulations.

But I think on a whole bunch of fronts, you had a complacency when it came to what happens in the worst-case scenario.

I'll give you another example, because this is something that some of you have written about -- the question of how is it that oil companies kept on getting environmental waivers in getting their permits approved. Well, it turns out that the way the process works, first of all, there is a thorough environmental review as to whether a certain portion of the Gulf should be leased or not. That's a thorough-going environmental evaluation. Then the overall lease is broken up into segments for individual leases, and again there's an environmental review that's done.

But when it comes to a specific company with its exploration plan in that one particular area -- they're going to drill right here in this spot -- Congress mandated that only 30 days could be allocated before a yes or no answer was given. That was by law. So MMS's hands were tied. And as a consequence, what became the habit, predating my administration, was you just automatically gave the environmental waiver, because you couldn't complete an environmental study in 30 days.

So what you've got is a whole bunch of aspects to how oversight was exercised in deepwater drilling that were very problematic. And that's why it's so important that this commission moves forward and examines, from soup to nuts, why did this happen; how should this proceed in a safe, effective manner; what's required when it comes to worst-case scenarios to prevent something like this from happening.

I continue to believe that oil production is important, domestic oil production is important. But I also believe we can't do this stuff if we don't have confidence that we can prevent crises like this from happening again. And it's going to take some time for the experts to make those determinations. And as I said, in the meantime, I think it's appropriate that we keep in place the moratorium that I've already issued.

Chip Reid.

Q Thank you, Mr. President. First of all, Elizabeth Birnbaum resigned today. Did she resign? Was she fired? Was she forced out? And if so, why? And should other heads roll as we go on here?

Secondly, with regard to the Minerals Management Service, Secretary Salazar yesterday basically blamed the Bush administration for the cozy relationship there, and you seemed to suggest that when you spoke in the Rose Garden a few weeks ago when you said, for too long, a decade or more -- most of those years, of course, the Bush administration -- there's been a cozy relationship between the oil companies and the federal agency that permits them to drill. But you knew as soon as you came in, and Secretary Salazar did, about this cozy relationship, but you continued to give permits -- some of them under questionable circumstances. Is it fair to blame the Bush administration? Don't you deserve some of that?

THE PRESIDENT: Well, let me just make the point that I made earlier, which is Salazar came in and started cleaning house, but the culture had not fully changed in MMS. And absolutely I take responsibility for that. There wasn't sufficient urgency in terms of the pace of how those changes needed to take place.

There's no evidence that some of the corrupt practices that had taken place earlier took place under the current administration's watch. But a culture in which oil companies were able to get what they wanted without sufficient oversight and regulation -- that was a real problem. Some of it was constraints of the law, as I just mentioned, but we should have busted through those constraints.

Now, with respect to Ms. Birnbaum, I found out about her resignation today. Ken Salazar has been in testimony throughout the day, so I don't know the circumstances in which this occurred. I can tell you what I've said to Ken Salazar, which is that we have to make sure, if we are going forward with domestic oil production, that the federal agency charged with overseeing its safety and security is operating at the highest level. And I want people in there who are operating at the highest level and aren't making excuses when things break down, but are intent on fixing them. And I have confidence that Ken Salazar can do that.

Q Is his job safe?

THE PRESIDENT: Yes.

Julianna.

Q Thank you, Mr. President. We're learning today that the oil has been gushing as much as five times the initial estimates. What does that tell you and the American people about the extent to which BP can be trusted on any of the information that it's providing, whether the events leading up to the spill, any of their information?

THE PRESIDENT: Well, BP's interests are aligned with the public interest to the extent that they want to get this well capped. It's bad for their business. It's bad for their bottom line. They're going to be paying a lot of damages, and we'll be staying on them about that. So I think it's fair to say that they want this thing capped as badly as anybody does and they want to minimize the damage as much as they can.

I think it is a legitimate concern to question whether BP's interests in being fully forthcoming about the extent of the damage is aligned with the public interest. I mean, their interests may be to minimize the damage, and to the extent that they have better information than anybody else, to not be fully forthcoming. So my attitude is we have to verify whatever it is they say about the damage.

This is an area, by the way, where I do think our efforts fell short. And I'm not contradicting my prior point that people were working as hard as they could and doing the best that they could on this front. But I do believe that when the initial estimates came that there were -- it was 5,000 barrels spilling into the ocean per day, that was based on satellite imagery and satellite data that would give a rough calculation. At that point, BP already had a camera down there, but wasn't fully forthcoming in terms of what did those pictures look like. And when you set it up in time-lapse photography, experts could then make a more accurate determination. The administration pushed them to release it, but they should have pushed them sooner. I mean, I think that it took too long for us to stand up our flow-tracking group that has now made these more accurate ranges of calculation.

Now, keep in mind that that didn't change what our response was. As I said from the start, we understood that this could be really bad. We are hoping for the best, but preparing for the worst. And so there aren't steps that would have taken in terms of trying to cap the well, or skimming the surface, or the in-situ burns, or preparing to make sure when this stuff hit shore that we could minimize the damage -- all those steps would have been the same even if we had information that this flow was coming out faster.

And eventually, we would have gotten better information because, by law, the federal government, if it's going to be charging BP for the damage that it causes, is going to have to do the best possible assessment. But there was a lag of several weeks that I think shouldn't have happened.

Helen Thomas.

Q Mr. President, when are you going to get out of Afghanistan? Why are we continuing to kill and die there? What is the real excuse? And don't give us this Bushism, "if we don't go there, they'll all come here."

THE PRESIDENT: Well, Helen, the reason we originally went to Afghanistan was because that was the base from which attacks were launched that killed 3,000 people -- I'm going to get to your question, I promise. But I just want to remind people we went there because the Taliban was harboring al Qaeda, which had launched an attack that killed 3,000 Americans.

Al Qaeda escaped capture and they set up in the border regions between Pakistan and Afghanistan. Al Qaeda has affiliates that not only provide them safe harbor, but increasingly are willing to conduct their own terrorist operations initially in Afghanistan and in Pakistan, but increasingly directed against Western targets and targets of our allies as well.

So it is absolutely critical that we dismantle that network of extremists that are willing to attack us. And they are currently --

Q -- a threat to us?

THE PRESIDENT: They absolutely are a threat to us. They're a significant threat to us. I wouldn't be deploying young men and women into harm's way if I didn't think that they were an absolute threat to us.

Now, General McChrystal's strategy, which I think is the right one, is that we are going to clear out Taliban strongholds; we are going to strengthen the capacity of the Afghan military; and we are going to get them stood up in a way that allows us then to start drawing down our troops but continuing to provide support for Afghan in its effort to create a stable government.

It is a difficult process. At the same time, we've also got to work with Pakistan so that they are more effective partners in dealing with the extremists that are within their borders. And it is a big, messy process. But we are making progress in part because the young men and women under General McChrystal's supervision, as well as our coalition partners, are making enormous sacrifices; but also on the civilian side, we're starting to make progress in terms of building capacity that will allow us then to draw down with an effective partner.

Jackie Calmes, New York Times.

Q Thank you, Mr. President. I want to follow up on something -- exchange you had with Chip. Leaving aside the existing permits for drilling in the Gulf, before -- weeks before BP, you had called for expanded drilling. Do you now regret that decision? And why did you do so knowing what you have described today about the sort of dysfunction in the MMS?

THE PRESIDENT: I continue to believe what I said at that time, which was that domestic oil production is an important part of our overall energy mix. It has to be part of an overall energy strategy. I also believe that it is insufficient to meet the needs of our future, which is why I've made huge investments in clean energy, why we continue to promote solar and wind and biodiesel and a whole range of other approaches, why we're putting so much emphasis on energy efficiency.

But we're not going to be able to transition to these clean energy strategies right away. I mean, we're still years off and some technological breakthroughs away from being able to operate on purely a clean energy grid. During that time, we're going to be using oil. And to the extent that we're using oil, it makes sense for us to develop our oil and natural gas resources here in the United States and not simply rely on imports. That's important for our economy; that's important for economic growth.

So the overall framework, which is to say domestic oil production should be part of our overall energy mix, I think continues to be the right one. Where I was wrong was in my belief that the oil companies had their act together when it came to worst-case scenarios.

Now, that wasn't based on just my blind acceptance of their statements. Oil drilling has been going on in the Gulf, including deepwater, for quite some time. And the record of accidents like this we hadn't seen before. But it just takes one for us to have a wake-up call and recognize that claims that fail-safe procedures were in place, or that blowout preventers would function properly, or that valves would switch on and shut things off, that -- whether it's because of human error, because of the technology was faulty, because when you're operating at these depths you can't anticipate exactly what happens -- those assumptions proved to be incorrect.

And so I'm absolutely convinced that we have to do a thorough-going scrub of that -- those safety procedures and those safety records. And we have to have confidence that even if it's just a one-in-a-million shot, that we've got enough technology know-how that we can shut something like this down not in a month, not in six weeks, but in two or three or four days. And I don't have that confidence right now.

Q If I could follow up --

THE PRESIDENT: Sure.

Q Do you -- are you sorry now? Do you regret that your team had not done the reforms at the Minerals Management Service that you've subsequently called for? And I'm also curious as to how it is that you didn't know about Ms. Birnbaum's resignation/firing before --

THE PRESIDENT: Well, you're assuming it was a firing. If it was a resignation, then she would have submitted a letter to Mr. Salazar this morning, at a time when I had a whole bunch of other stuff going on.

Q So you rule out that she was fired?

THE PRESIDENT: Come on, Jackie, I don't know. I'm telling you the -- I found out about it this morning, so I don't yet know the circumstances, and Ken Salazar has been in testimony on the Hill.

With respect to your first question, at MMS, Ken Salazar was in the process of making these reforms. But the point

that I'm making is, is that obviously they weren't happening fast enough. If they had been happening fast enough, this might have been caught. Now, it's possible that it might now have been caught. I mean, we could have gone through a whole new process for environmental review; you could have had a bunch of technical folks take a look at BP's plans, and they might have said, this is -- meets industry standards, we haven't had an accident like this in 15 years and we should go ahead.

That's what this commission has to discover, is -- was this a systemic breakdown? Is this something that could happen once in a million times? Is it something that could happen once in a thousand times, or once every 5,000 times? What exactly are the risks involved?

Now, let me make one broader point, though, about energy. The fact that oil companies now have to go a mile underwater and then drill another three miles below that in order to hit oil tells us something about the direction of the oil industry. Extraction is more expensive and it is going to be inherently more risky.

And so that's part of the reason you never heard me say, "Drill, baby, drill" -- because we can't drill our way out of the problem. It may be part of the mix as a bridge to a transition to new technologies and new energy sources, but we should be pretty modest in understanding that the easily accessible oil has already been sucked up out of the ground.

And as we are moving forward, the technology gets more complicated, the oil sources are more remote, and that means that there's probably going to end up being more risk. And we as a society are going to have to make some very serious determinations in terms of what risks are we willing to accept. And that's part of what the commission I think is going to have to look at.

I will tell you, though, that understanding we need to grow -- we're going to be consuming oil for our industries and for how people live in this country, we're going to have to start moving on this transition. And that's why when I went to the Republican Caucus just this week, I said to them, let's work together. You've got Lieberman and Kerry, who previously were working with Lindsey Graham -- even though Lindsey is not on the bill right now -- coming up with a framework that has the potential to get bipartisan support, and says, yes, we're going to still need oil production, but you know what, we can see what's out there on the horizon, and it's a problem if we don't start changing how we operate.

Macarena Vidal. Not here? Oh, there you are.

Q Mr. President, you announced -- or the White House announced two days ago that you were going to send 1,200 people to -- 1,200 members of the National Guard to the border. I want to -- if you could precise what their target is going to be, what you're planning to achieve with that -- if you could clarify a bit more the mission that they're going to have.

And also on Arizona, after you have criticized so much the immigration law that has been approved there, would you support the boycott that some organizations are calling towards that state?

THE PRESIDENT: I've indicated that I don't approve of the Arizona law. I think it's the wrong approach. I understand the frustrations of the people of Arizona and a lot of folks along the border that that border has not been entirely secured in a way that is both true to our traditions as a nation of law and as a nation of immigrants.

I'm President of the United States; I don't endorse boycotts or not endorse boycotts. That's something that the private citizens can make a decision about. What my administration is doing is examining very closely this Arizona law and its implications for the civil rights and civil liberties for the people in Arizona, as well as the concern that you start getting a patchwork of 50 different immigration laws around the country in an area that is inherently the job of the federal government.

Now, for the federal government to do its job, everybody has got to step up. And so I've tried to be as clear as I could this week, and I will repeat it to everybody who's here: We have to have a comprehensive approach to immigration reform. The time to get moving on this is now. And I am prepared to work with both parties and members of Congress to get a bill that does a good job securing our borders; holds employers accountable; makes sure that those who have come here illegally have to pay a fine, pay back taxes, learn English, and get right by the law.

We had the opportunity to do that. We've done -- we've gotten a vote of a super majority in the Senate just four years ago. There's no reason why we shouldn't be able to recreate that bipartisan spirit to get this problem solved.

Now, with respect to the National Guardsmen and women, I have authorized up to 1,200 National Guardspersons in a plan that was actually shaped last year. So this is not simply in response to the Arizona law. And what we find is, is that National Guardspersons can help on intelligence; dealing with both drug and human trafficking along the borders; they can relieve border guards so that the border guards then can be in charge of law enforcement in those areas. So there are a lot of functions that they can carry out that helps leverage and increase the resources available in this area.

By the way, we didn't just send National Guard. We've also got a package of \$500 million in additional resources, because, for example, if we are doing a better job dealing with trafficking along the border, we've also got to make sure that we've got prosecutors down there who can prosecute those cases.

But the key point I want to emphasize to you is that I don't see these issues in isolation. We're not going to solve the problem just solely as a consequence of sending National Guard troops down there. We're going to solve this problem because we have created an orderly, fair, humane immigration framework in which people are able to immigrate to this country in a legal fashion; employers are held accountable for hiring legally present workers.

And I think we can craft that system if everybody is willing to step up. And I told the Republican Caucus when I met with them this week, I don't even need you to meet me halfway; meet me a quarter of the way. I'll bring the majority of Democrats to a smart, sensible, comprehensive immigration reform bill. But I'm going to have to have some help, given the rules of the Senate, where a simple majority is not enough.

Last question, Major.

Q Thank you, Mr. President. Good afternoon.

THE PRESIDENT: Good afternoon.

Q Two issues. Some in your government have said the federal government's boot is on the neck of BP. Are you comfortable with that imagery, sir? Is your boot on the neck of BP? And can you understand, sir, why some in the Gulf who feel besieged by this oil spill consider that a meaningless, possibly ludicrous, metaphor?

Secondarily, can you tell the American public, sir, what your White House did or did not offer Congressman Sestak to not enter the Democratic senatorial primary? And how will you meet your levels of expressed transparency and ethics to convey that answer to satisfy what appear to be bipartisan calls for greater disclosure about that matter? Thank you.

THE PRESIDENT: There will be an official response shortly on the Sestak issue, which I hope will answer your questions.

Q From you, sir?

THE PRESIDENT: You will get it from my administration. And it will be coming out -- when I say "shortly," I mean shortly. I don't mean weeks or months. With respect to the first --

Q Can you assure the public it was ethical and legal, sir?

THE PRESIDENT: I can assure the public that nothing improper took place. But, as I said, there will be a response shortly on that issue.

With respect to the metaphor that was used, I think Ken Salazar would probably be the first one to admit that he has been frustrated, angry, and occasionally emotional about this issue, like a lot of people have. I mean, there are a lot of folks out there who see what's happening and are angry at BP, are frustrated that it hasn't stopped. And so I'll let Ken answer for himself. I would say that we don't need to use language like that; what we need is actions that make sure that BP is being held accountable. And that's what I intend to do, and I think that's what Ken Salazar intends to do.

But, look, we've gone through a difficult year and a half. This is just one more bit of difficulty. And this is going to be hard not just right now, it's going to be hard for months to come. The Gulf --

Q This --

THE PRESIDENT: This spill. The Gulf is going to be affected in a bad way. And so my job right now is just to make sure that everybody in the Gulf understands this is what I wake up to in the morning and this is what I go to bed at night thinking about.

Q The spill?

THE PRESIDENT: The spill. And it's not just me, by the way. When I woke this morning and I'm shaving and Malia knocks on my bathroom door and she peeks in her head and she says, "Did you plug the hole yet, Daddy?" Because I think everybody understands that when we are fouling the Earth like this, it has concrete implications not just for this generation, but for future generations.

I grew up in Hawaii where the ocean is sacred. And when you see birds flying around with oil all over their feathers and turtles dying, that doesn't just speak to the immediate economic consequences of this; this speaks to how are we caring for this incredible bounty that we have.

And so sometimes when I hear folks down in Louisiana expressing frustrations, I may not always think that they're comments are fair; on the other hand, I probably think to myself, these are folks who grew up fishing in these wetlands and seeing this as an integral part of who they are -- and to see that messed up in this fashion would be infuriating.

So the thing that the American people need to understand is that not a day goes by where the federal government is not constantly thinking about how do we make sure that we minimize the damage on this, we close this thing down, we review what happened to make sure that it does not happen again. And in that sense, there are analogies to what's been happening in terms of in the financial markets and some of these other areas where big crises happen -- it forces us to do some soul searching. And I think that's important for all of us to do.

In the meantime, my job is to get this fixed. And in case anybody wonders -- in any of your reporting, in case you were wondering who's responsible, I take responsibility. It is my job to make sure that everything is done to shut this down. That doesn't mean it's going to be easy. It doesn't mean it's going to happen right away or the way I'd like it to happen. It doesn't mean that we're not going to make mistakes. But there shouldn't be any confusion here: The federal government is fully engaged, and I'm fully engaged.

All right. Thank you very much, everybody.

END

1:53 P.M. EDT

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News Release

Salazar Calls for New Safety Measures for Offshore Oil and Gas Operations; Orders Six Month Moratorium on Deepwater Drilling

Cancels Western Gulf and Virginia Lease Sales, Suspends Proposed Arctic Drilling

05/27/2010

Contact: Kendra Barkoff (202) 208-6416

WASHINGTON – To improve the safety of oil and gas development in federal waters, provide greater environmental protection and substantially reduce the risk of catastrophic events such as the BP *Deepwater Horizon* oil spill, Secretary of the Interior Ken Salazar today called for aggressive new operating standards and requirements for offshore energy companies and ordered a six-month moratorium on deepwater drilling. He also canceled a pending lease sale in the Gulf of Mexico and a proposed lease sale off the coast of Virginia, and suspended proposed exploratory drilling in the Arctic.

The recommendations in the *30-Day Safety Report* Salazar sent President Obama include a recertification of all Blowout Preventers (BOPs) for floating drilling operations; stronger well control practices, blowout prevention and intervention procedures; tougher inspections for deepwater drilling operations; and expanded safety and training programs for rig workers.

“As we marshal every resource in support of the massive response effort for the BP oil spill, we must take appropriate action to prevent such a disaster in the future,” Secretary Salazar said. “We are taking a cautious approach to offshore oil and gas development as we strengthen safety and oversight of offshore oil and gas operations.”

Secretary Salazar is ordering a moratorium on drilling of new deepwater wells until the Presidential Commission investigating the BP oil spill has completed its six-month review. In addition, permitted wells currently being drilled in the deepwater (not counting the emergency relief wells being drilled) in the Gulf of Mexico will be required to halt drilling at the first safe stopping point, and then take steps to secure the well. Additional safety checks will be imposed on ongoing deepwater drilling activities as they prepare to shut down their operations. The Department of the Interior will be issuing notices to lessees and other documentation necessary to implement the moratorium.

Secretary Salazar said the Administration will continue to take a cautious approach in the Arctic and, in light of the need for additional information about spill risks and spill response capabilities, will postpone consideration of Shell's proposal to drill up to five exploration wells in the Arctic this summer. In March, Secretary Salazar cancelled the remaining four lease sales in the 2007-2012 program that the previous Administration had scheduled for the Chukchi and Beaufort Seas in the Arctic, and the President formally withdrew Alaska's Bristol Bay from the oil and gas leasing program. The Department will make decisions about potential future lease sales in Alaska in the 2012-2017 OCS program based on public input, scientific analysis, and the results of on-going investigations and reviews into the BP oil spill. (For a link to a fact sheet on OCS policy, [click here](#).)

Exhibit 2, page 1 of 6

The Secretary today also cancelled a proposed 2012 lease sale for offshore Virginia to allow additional consultations with the Department of Defense on military training requirements in the area, and canceled a lease sale for the Gulf of Mexico that was scheduled for August 2010. The findings of the Presidential Commission, environmental reviews, science-based analysis and public input will inform the Secretary's decisions about whether to move forward with other leases sales in the Gulf of Mexico that are currently scheduled for 2011 and 2012, along with decisions about what areas in the Gulf of Mexico and the Atlantic should be considered for inclusion in the 2012-2017 OCS program.

"We must proceed with the utmost caution as we examine the many questions that the BP oil spill raises," Salazar said. "Prudence dictates that we pause and examine our drilling systems thoroughly so that we can ensure that this type of disaster does not happen again."

Interior's expedited *Safety Report* recommends a number of specific measures that can be taken on both a short and longer term basis to enhance the safety of offshore oil and gas activities. The report focuses on the two primary failures in the drilling process that may have led to the BP disaster: the loss of well control, and the failure of the blowout preventer (BOP) mechanism.

BOP equipment used on all OCS floating drilling rigs must be re-inspected and receive independent recertification to ensure that the devices will operate as originally designed and that any modifications or upgrades conducted after delivery have not compromised the design or operation of the BOP. Operators must also provide independent verification that the recertified BOP will operate properly with the drilling rig equipment and is compatible with the specific well location, borehole design and drilling plan. Within a year, all operations will require two sets of blind shear rams on BOPs to prevent system failure during an emergency.

The BOPs contain mechanisms designed to shut off the flow of oil and gas, either on command or automatically, when required or when a wellhead is damaged or experiences a blowout. Investigators are seeking to determine why the BOP atop the *Deepwater Horizon* well failed to activate as designed.

Well control design, construction and flow intervention mechanisms and procedures are being strengthened to require expert review and verification and mechanical and physical flow barriers in the drill casings and BOP equipment to prevent blowouts. Tougher requirements will improve the installation and cementing of drill casings in the wellbore to increase safety.

Some of Salazar's recommendations can be carried out immediately through Notices to Lessees, which will advise OCS lessees and operators of the requirements and provide guidance for their implementation. The Department will also immediately undertake an evaluation and revision of the manner in which it conducts drilling inspections on the OCS, and will issue a final rule covering operator Safety and Environmental Management Systems.

Other measures, although identified, are more appropriate to address initially through a formal rulemaking process. The Department will issue an interim final rule within 120 days to address these measures, and will provide a comment period to elicit input that may lead to further adjustments to this final rule.

Interior has identified a number of additional issues associated with the safety of OCS drilling that will benefit from further study and a wider discussion. The Department will therefore immediately provide for the establishment of DOI working groups to further develop measures and recommendations around these issues, seeking input as appropriate from academia, industry, and other technical experts and stakeholders. These issues involve highly technical and complex evaluations that must be undertaken with due care.

These working groups will present recommendations for further safety and environmental protection measures within 6 months, with implementation of the new recommendations through appropriate process within one year. The recommendations from these Departmental working groups may also inform the efforts of the President's new bipartisan National Commission.

On April 30, 2010, President Obama directed Secretary Salazar to prepare the expedited report evaluating additional offshore oil and gas safety measures that could be put into action on an interim basis, even before on-going investigations identify the root cause of the BP oil spill disaster. Interior consulted with a wide range of experts from industry, government, and academia. Draft recommendations were reviewed by seven experts identified by the National Academy of Engineering.

For a link to the 30-day safety report, click [here](#).

For a link to Secretary Salazar's cover letter to the President, click here.

For a link to a fact sheet on OCS policy, click here.

###

FACT SHEET

A COMPREHENSIVE, SCIENCE-BASED OFFSHORE ENERGY PLAN

As part of a comprehensive energy strategy for the country, the Obama Administration has developed an open, science-based approach to determining what areas of the Outer Continental Shelf (OCS) are and are not appropriate for potential oil and gas development. The Administration's OCS strategy spans a revised 2007-2012 leasing program and a new 2012-2017 leasing program that will be developed based on science, environmental analysis, public input, safety, and other important considerations.

Alaska

The Obama Administration's has pursued a **cautious, science-based approach** for determining which areas in the Alaska OCS may – or may not – be appropriate for oil and gas leasing.

- In March, Secretary Salazar [cancelled the remaining four lease sales](#) in the 2007-2012 program that the Bush Administration had scheduled for the Chukchi and Beaufort Seas in the Arctic. Secretary Salazar determined that the country must take a cautious approach in the Arctic, and gather additional scientific information about resources, risks, and environmental sensitivities before making decisions about potential future lease sales in frontier areas.
- To better understand the resilience of Arctic coastal and marine ecosystems to potential OCS resource extraction activities, along with spill risks and spill response capabilities, Secretary Salazar directed the **United States Geological Survey (USGS) to conduct an initial, [independent evaluation of science needs in the region](#)**. The study will summarize what information is available, where knowledge gaps exist, and what research is needed to mitigate risks.
- In March, President Obama also withdrew [Bristol Bay, Alaska](#) – an area proposed for leasing by the previous Administration – from consideration for oil and gas development through 2017 and cancelled a lease sale that had been scheduled for 2011. Fisheries, tourism, and environmental values in Alaska's Bristol Bay make the area a national treasure and inappropriate for oil and gas drilling.
- Oil and gas companies hold leases for development in the Arctic that were issued under the previous Administration. Shell, which has leases in both the Beaufort and Chukchi Seas in the Arctic, had sought to begin drilling 5 exploratory wells in those areas this summer. Secretary Salazar announced on May 27 that Applications for Permits to Drill those 5 wells will not be considered until 2011 because of the need for further information-gathering, evaluation of proposed drilling technology, and evaluation of oil spill response capabilities for Arctic waters.

- The Administration will decide whether to move forward with a proposed lease sale in the Cook Inlet in Alaska – an area with existing oil and gas infrastructure – based on whether there is interest from industry to develop, on lessons learned from the BP oil spill, and whether environmental analysis shows that additional development can be done responsibly.
- The Department will make decisions about potential future lease sales in Alaska in the 2012-2017 OCS program based on public input, scientific analysis, and the results of ongoing investigations and reviews into the BP oil spill.

Atlantic

The Obama Administration's OCS strategy puts the northern Atlantic off-limits to further consideration for oil and gas development through 2017. As to the Mid and South Atlantic OCS, the Administration has proposed **to gather information** about what oil and gas resources may exist in these planning areas, conduct thorough environmental analysis, and gather public input to determine whether to consider the potential inclusion of those areas in the 2012-2017 five year plan.

- The Obama Administration will conduct a programmatic environmental impact statement (EIS) for seismic studies in the Mid and South Atlantic OCS. Seismic studies will determine the quantity and location of potential energy resources and help guide future decisions about whether to allow oil and gas drilling in the Atlantic Ocean.
- In March, 2010, Secretary Salazar decided to conditionally move ahead with additional reviews of the proposed Lease Sale 220 off the coast of Virginia, which the Bush Administration had included in the 2007-2012 program. Secretary Salazar has made clear, however, that a final decision about whether to move forward with Lease Sale 220 will depend on safety reviews that are under way in response to the BP oil spill and whether leasing off the coast of Virginia can be done in a way that protects the military mission and the environment.
 - On May 27, 2010, Secretary Salazar announced that based on military training requirements and the need to fully consider the recommendations from the Presidential Commission on the BP Deepwater Horizon oil spill, he is cancelling Lease Sale 220.
- At the appropriate time, the Department of the Interior will hold public meetings and conduct an environmental impact statement that will inform decisions about whether any areas in the Mid and South Atlantic should be included in the 2012-2017 program.

Gulf of Mexico

The Obama Administration's OCS strategy recognizes that the Gulf of Mexico holds 70% of the nation's economically recoverable oil and 82% of the economically recoverable gas reserves on the OCS and has existing oil and gas infrastructure to support development. Exploration and production must be conducted safely, responsibly, and subject to environmental analysis, public input, and safety considerations.

- Currently, three lease sales are scheduled for the Central and Western Gulf of Mexico before the end of 2012, not including the August, 2010 lease sale that Secretary Salazar cancelled on May 27, 2010. Each of the remaining three lease sales will be reviewed under the National Environmental Policy Act (NEPA), and will be subject to recommendations and decisions that may arise out of the reviews and investigations of the BP oil spill.
- Environmental analysis and public input will be gathered on potential lease sales in 2012-2017 in the Gulf of Mexico. The Administration also announced in March that it would work with Congress to determine whether and how to potentially open new areas in the Eastern Gulf of Mexico that are currently under Congressional moratorium, subject to environmental reviews, public comment, and other considerations.

Pacific

The Administration's OCS strategy recognizes there is consistent opposition from the public, States, and Members of Congress to expanded offshore development in the Pacific Ocean. No actions are proposed.



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May 14, 2010

S. Elizabeth Birnbaum
1849 C Street, NW
United States Department of the Interior
Minerals Management Service
Washington, DC 20240

Dear Director Birnbaum,

I am writing in response to your letter of May 6, 2010 regarding Shell's proposed exploratory drilling activity in the Chukchi Sea and Beaufort Sea. You requested information that may be pertinent to the review of Shell's Applications to Drill (APDs) that Minerals Management Service (MMS) will undertake in light of the Deepwater Horizon incident; and information about additional safety procedures that Shell plans to undertake in light of that incident.

Before responding to your request, I want to acknowledge the tragedy of the Gulf of Mexico (GOM) blowout and oil spill. I commend the Department of Interior (DOI) for its role in coordinating the unprecedented joint industry-government response effort. Shell is a full participant in this response; and additional Shell resources and expertise are available if needed.

I also commend the DOI for the urgency with which it is pursuing an investigation into the cause of the blowout. Root cause analyses are critically important in order for industry and government to identify steps that should be taken to ensure the safety and integrity of oil and gas operations on the Outer Continental Shelf (OCS). At Shell, we have already begun to enhance our operational excellence in light of this incident and we will continuously make adjustments as new learnings are revealed. We do not believe that best practices are static.

Regarding Shell's Chukchi and Beaufort Sea leases, please consider the following important points. First, Shell is committed to undertaking a safe and environmentally responsible exploration program in the Chukchi Sea and Beaufort Sea in 2010. Second, MMS has diligently and proactively challenged and reviewed Shell's 2010 Arctic exploration drilling program. On Thursday, May 13, 2010, the 9th Circuit Court of Appeals upheld the MMS's approvals of our 2010 exploration plans. At every step, Shell has worked with MMS, other

federal agencies, the State of Alaska, and local communities to develop a program that meets the highest operational and environmental standards. In response to the recent MMS Safety Alert, Shell will check each point raised in the letter against our internal audit of operations. Third, following the Deepwater Horizon incident, Shell initiated its own thorough review of the prevention and contingency plans for our 2010 Arctic exploration plans

I am confident that we are ready to conduct the 2010 Arctic exploratory program safely and, I want to be clear, the accountability for this program rests with Shell.

I appreciate the opportunity to provide information here about Shell's 2010 Arctic exploration program. I will discuss (1) how our program differs significantly from the GOM deepwater exploratory wells; (2) the oil spill prevention, mitigation and response plans included in Shell's current 2010 Arctic exploration plans; and (3) the additional measures that Shell has identified to add to the 2010 exploration plans in light of the GOM incident.

1. Differences between exploration in Alaska and deepwater exploration in the Gulf of Mexico

Drilling conditions for Shell's proposed 2010 Alaska wells are typical of well conditions that have been safely and effectively addressed for more than 30 years. They are much different than those in the GOM deepwater, most notably in terms of water depth and pressure. The Deepwater Horizon was drilling in 5,000 feet of water to a depth of 18,000 feet. This type of well is technically more complex than those wells planned in the Arctic for 2010. The pressure encountered in the Macondo well was about 15,000 psi based on mud weight at total depth. This is 2 to 3 times greater than what Shell expects to encounter in Alaska where 2010 drilling will be in approximately 150 feet of water to a depth of approximately 7,000 to 8,000 feet in the Chukchi and up to approximately 10,200 feet in the Beaufort. We are expecting a pressure at total depth of no more than 6,000 psi in any of these 2010 wells.

Shell has developed extensive reservoir pressure models based on previously drilled wells in the Chukchi and Beaufort Seas. Knowing the pressure profile of the previously drilled wells reduces uncertainty in pore pressure prediction for the 2010 wells. Due to the difference in expected down-hole pressure of the Macondo well versus our planned 2010 wells, our margin to safely operate in Alaska is much greater than that experienced by the Deepwater Horizon. Our biggest safety advantage is the water depth that will allow us to detect and respond to an event quickly and appropriately. Even in the highly unlikely event of Shell's drilling riser failing, the remaining drilling fluid below the seafloor would effectively stop any well flow in such a low-pressure system.

2. Current practices and our plans, which includes our mitigation for prevention and response

Shell has design standards and practices that have enabled us to successfully and safely drill many deepwater and shallow water wells worldwide. These practices include:

- a. Shell generally does not install full string casings through high-pressure zones. It is our practice to install and cement liners then to install and cement casing tiebacks. This practice delivers better cementation and hydraulic isolation across the zone of interest as well as the opportunity to install a liner top packer. We test our liner tops both in pressure and with an inflow test prior to installing a tieback string of casing back to the wellhead; this ensures we have hydraulic isolation prior to installing the tieback casing.

- b. Shell has a two-barrier policy, with each barrier validated in the direction of potential flow for all well operations. During the transition from drilling to temporary abandonment and prior to disconnecting the subsea Blow Out Preventer (BOP) from the well, a mechanical barrier, in addition to the cement and shoe track or plugs, must be installed and tested in all production casings thus ensuring that at least two independent barriers are in place.
- c. Shell policy requires that all casing hangers be locked down and that the seals be engaged. All seals on casing hangers are tested to ensure that we have two independent validated barriers at all times.

Shell will rigorously apply an appropriate similar level of standards in all well operations on the Alaska OCS. Because of lower anticipated down-hole pressure in the planned 2010 Alaska wells, all of the mechanical barriers included in Shell's well design (including contingency equipment) have inherently higher overall safety margin between operating pressure and mechanical barrier design pressures.

Shell's BOP has been and continues to be extensively inspected and tested by 3rd party specialists. The BOP has been validated to comply with the original equipment manufacturer specifications, in accordance with API Recommend Practice No. 53. Further inspection and testing has been performed to assure the reliability of the BOP and that all functions will be performed as necessary including shearing the drill pipe. Before initiating operations, the BOP will have a final test in Dutch Harbor and MMS inspection verification. Shell's BOP is well suited for operating in the Arctic. Our BOP control function is rapid and secure given its full hydraulic control system and relatively shallow working depth. In addition we will have a second BOP available in Dutch Harbor (or closer to drilling locations) for relief well drilling and other intervention techniques. An acoustic switch was considered for our Alaska wells, however placement on some of the components in the mud-line cellar and the shallow water depth diminishes the effectiveness of this approach. Specifically, the angles of transmission are too extreme and therefore unreliable when the secondary activation vessel moves a sufficient distance from the rig.

Shell's 2010 Arctic wells are exploratory and will not be converted for future production operations, thus production casing will not be installed. It is our understanding that production casing had just been run in the Macondo well and may have been a factor in the GOM incident.

The following items are safety aspects of our 2010 plans

- a. We have regional Blow Out Contingency Plans, one for the Chukchi Sea and one for the Beaufort. We also have specific relief well drilling plans for each well, which must be approved by the MMS.
- b. We understand MMS inspectors will be housed on board the Frontier Discoverer 24-hours per day/7 days per week throughout the 2010 drilling program.
- c. We have a comprehensive Critical Operations and Curtail Plan with specific procedures for suspending operations in case of emergency evacuation that properly seal and secure a well site.
- d. We will follow all current MMS plug and abandon procedures; for example, MMS requires a competent cement plug, the top of which must extend to 500' above the top of the upper most hydrocarbon-bearing zone. In addition to the required procedures and as an additional safety barrier, we will add a mechanical plug and appropriately test leak paths.
- e. We have simultaneous operational plans (SIMOPS) that will be managed to avoid well control incidents. In addition, we have full time SIMOPS coordinators to ensure no inappropriate simultaneous operations are conducted. For example, we will not induce an underbalance while waiting on cement. We will have a BOP, riser, and surface casing in place prior to drilling into known

or predicted productive gas or liquid hydrocarbon zones to isolate fragile overlying intervals to avoid fracturing under reservoir pressure.

- f. We can determine drill string position to avoid placing a tooljoint in the sheer/blind rams, a process that is much easier in shallow water than in deep water.
- g. Shell's primary relief well plan for Arctic drilling remains disconnecting the Frontier Discoverer from the wellbore and utilizing the Frontier Discoverer to spud a relief well expeditiously. This remains a robust plan due to the well control procedures and shorter response times as explained above. One of the reasons for selecting the Frontier Discoverer drill ship is its ability to safely and quickly depart from the well location in the event of unmanageable ice. In the event of a blowout, the same riser and anchor disconnect technologies make it probable that the Discoverer and its crew will be moved out of harms way thereby allowing it to drill a relief well. We have prepared for this circumstance by ensuring that we have a full extra set of equipment including a BOP, anchors, drill pipes and casings as well as drilling supplies on or quickly available to the Discoverer. In the unlikely event of a blowout resulting in the loss of the Discoverer, Shell would mobilize the Shell owned Kulluk drilling vessel that is capable of drilling same season relief wells in the Alaska OCS. Shell has made significant capital improvements to the Kulluk and is currently managing rig readiness.

Oil Discharge Prevention and Response Plan

Shell will be ready to respond with oil spill response assets in one hour. Shell has an unprecedented three-tier system consisting of an on-site dedicated oil spill response fleet, near-shore barges and oil spill response vessels, and onshore oil spill response teams. These resources are staffed with trained crews and supported by Alaska Clean Seas and Arctic Slope Regional Corporation.

Arctic conditions create differences in responding to oil in cold and ice conditions. Differences in evaporation rates, viscosity and weathering provide greater opportunities to recover oil. Shell and MMS were among the participants in the SINTEF Joint Industry Project that concluded in 2009. This project demonstrated that, in Arctic conditions, ice can aid oil spill response by slowing oil weathering, dampening waves, preventing oil from spreading over large distances, and allowing more time to respond.

3. Additional measures that we have identified to add in light of the incident in the Gulf of Mexico

Our program is robust and includes high safety and mitigation standards to enable safe operations in the Arctic; we have taken early lessons from the GOM incident and incorporated them into our 2010 drilling plans.

Well control enhancement

- a. In 2010, instead of whole coring objective reservoirs in initial penetrations, we will first evaluate formations using drillpipe- or wireline-conveyed logging tools, and potentially rotary sidewall cores, in the original wellbore. Any whole coring would be performed in a bypass hole only after reservoir parameters (pressure, fluid content, temperature, etc.) have been ascertained in the original wellbore. This will further reduce the risk of a "kick" or unwanted flow in the original wellbore.
- b. BOP testing frequency will be increased from 14-day intervals to 7-day intervals to further assure proper functioning.

Enhancements to Blow Out Preventers

- a. We are evaluating the risks-benefits of an additional set of shear rams, which would provide redundancy for shear blind capabilities. Such changes require careful consideration as it represents a significant departure from our successful and reliable well control training and practices.
- b. A remote hot stab system is being designed that will allow a Remote Operated Vehicle (ROV), diver, or support vessel to actuate the BOP from a sled on the seafloor - a safe distance away from the well connected by an umbilical.
- c. A subsea BOP remote operating panel will be relocated from the bottom of the BOP to the top for easier diver or ROV intervention. This provides two ROV/diver intervention options.

Remote Operating Vehicles and Divers

- a. We will have a fully functional work-class ROV for BOP intervention on one of our previously identified support vessels in addition to the ROVs on the drilling rig and science vessel.
- b. We will have backup launch and recovery capability for divers on a support vessel. If the Frontier Discoverer is disabled, this plan provides for redundant diver support capability.

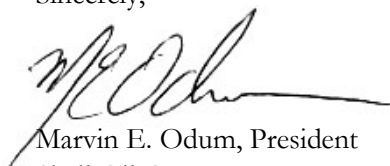
Containment and Response

- a. We will have a pre-fabricated coffer dam pre-staged in Alaska that will take into consideration issues associated with hydrate formation i.e. GOM, and gas/oil separation. We will locate the dome for immediate deployment, if required.
- b. If needed, we will also apply dispersant under water at the source of any oil flow that might occur; however the dispersant would not be used until all necessary permits are acquired.

In closing, I have complete confidence in the technical integrity of our well plans. As described herein, those plans employ a layered approach designed to prevent all types of incidents, including well control incidents like that experienced in the Gulf of Mexico. Furthermore, I also have complete confidence in our ability to execute the 2010 Chukchi Sea and Beaufort Sea exploration plans in a safe and environmentally responsible manner. Those exploration plans, which reflect 60 years of experience conducting exploration and development drilling on OCS lands and were developed over the course of the last three years with direct input from the MMS, other federal regulatory agencies, the state of Alaska and local communities, meet the highest operational and environmental standards.

Please let me know if you have any additional questions. We look forward to receiving your final authorizations to proceed with our 2010 exploration plans.

Sincerely,



Marvin E. Odum, President
Shell Oil Company

cc: Governor Parnell, Senator Murkowski, Senator Begich & Rep. Young