Obama to Reopen Oil Drilling

New Rules on Shallow-Water Exploration Expected as Economic Woes Mount

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WASHINGTON—The Obama administration, facing rising anger on the Gulf Coast over the loss of jobs and income from a drilling moratorium, said Monday that it would move quickly to release new safety requirements that would allow the reopening of offshore oil and gas exploration in shallow waters.

Gulf Coast residents, political leaders and industry officials said delays in releasing the new rules, along with the administration’s six-month halt on deepwater drilling—both issued amid public pressure—threatened thousands of jobs.

Well-owner BP PLC, meanwhile, faces penalties “in the many billions of dollars,” for the Deepwater Horizon drilling disaster that has been spewing an estimated minimum 12,000 to 19,000 barrels of oil a day into the Gulf, said White House Press Secretary Robert Gibbs. The costs of the spill will “greatly exceed” the amount BP could recoup by selling any of the captured oil on the market, he said Monday.

Retired U.S. Coast Guard Admiral Thad Allen, who heads the federal response, said BP’s latest emergency containment system is on track to capture as much as 15,000 barrels of oil per day, which is the maximum amount of oil the drill ship on the surface can process. BP’s latest update on the rate of recovery late Monday implies that the containment procedure is approaching that limit. Any leakage beyond 15,000 barrels per day will continue to go into the sea until a second ship arrives, likely in mid-June.

The oil industry is awaiting new safety regulations from the Interior Department’s Minerals Management Service, which can...
Obama to Reopen Drilling In Shallow Waters Soon

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eceived some offshore drilling permits last week and has had others on hold since early May. Administration officials say new rules for shallow water oil and gas drilling could be released as soon as Tuesday.

The White House also said Monday that it supported lifting the cap on liability damages altogether for any oil companies drilling offshore. The cap is $75 million unless the government can show criminal negligence.

Some Republicans and industry groups have cautioned that putting the liability cap too high could make it tough for smaller companies to drill offshore.

President Barack Obama met with cabinet officials on the spill Monday and expressed optimism that it would be contained, but he pointed to the potential for long-term economic damage. “What is clear is that the economic impact of this disaster is going to be substantial and it is going to be ongoing,” he said.

The new drilling regulations are expected to require drillers to have independent operators certify that the blowout preventers work as designed to shut off the flow of oil; that independent operators certify the well design plan is adequate, including proper casing, or cement lining; that the driller certifies it is in compliance with all regulations and has done all needed tests.

The moratorium on offshore drilling is shaping up to be one of the most contentious elements of Mr. Obama’s response to the April 20 explosion that sank the rig and touched off the worst offshore oil spill in U.S. history.

The White House is working on a legislative package that will include further unemployment benefits for people who have lost work due to the spill or the drilling moratorium.

The Small Business Administration is offering economic injury loans to Gulf Coast businesses that have been impacted.

Industry trade groups say that each deepwater rig employs 180 to 280 workers, with each of those jobs supporting another four industry workers, for a total potential loss of more than 40,000 jobs. The moratorium “will result in crippling job losses and significant economic impacts for the Gulf region,” the companies are expected to be required to certify they are in compliance with all regulations.

National Ocean Industries Association said in a letter Monday.

The House passed an economics package in May that more than quadrupled a levy on oil companies for spill mitigation, to 34 cents a barrel from eight cents.

House Democratic leaders will meet on Tuesday with committee chairs to work out the House’s next steps on raising liability limits, reorganizing the federal regulatory structure on oil drilling and forcing the oil industry to spend more on safety and environmental technology research.

The debate over how to respond to the Gulf spill disaster has put Mr. Obama in a difficult spot. He has sought to answer environmental concerns in part by ordering a six-month moratorium on new wells in water deeper than 500 feet, and calling for tougher safety regulation.

But during a trip to the Gulf on Friday, Mr. Obama also heard widespread complaints about the deepwater moratorium.

At a meeting at the New Orleans airport, Charlotte Randolph, president of Lafourche Parish, said she implored Mr. Obama for the second time in eight days to immediately lift the deepwater drilling moratorium. Billy Nungesser, president of Plaquemines Parish, suggested to the president he should deploy a federal official on every rig with the authority to shut it down at the first sign of trouble.

When neither of those ideas gained traction, Steve Theriot, president of Jefferson Parish, said he asked the president to lift the moratorium on every oil company but BP.

On Monday, the widows of two Deepwater Horizon crew members called at a congressional hearing for stepped up safety enforcement in the offshore drilling industry, and voiced their support for continuing to drill offshore. “I fully support offshore drilling and I always will,” said Natalie Roshto, of Liberty, Miss., whose husband, Shane, was among 11 people killed in the blast.

Mr. Obama defended the deep-water moratorium on Friday, and administration officials said Monday that it wasn’t being reconsidered. “A repeat of the BP Deepwater Horizon spill would have grave economic consequences for regional commerce and do further damage to the environment,” the White House said Monday.
Long- and Short-Term Attempts

Relief Wells
BP has been drilling two relief wells from platforms on the ocean’s surface. Once the relief wells reach the base of the broken well, some 13,000 feet below the ocean floor, they will pump in drilling mud and cement to block the flow of oil. Engineers say this could be completed in August.

Funnel Cap
Meanwhile, a cap that engineers put in place late last week collected 11,000 barrels of oil on Monday.