Drilling Rules Shake-Up Puts New Regulator in Spotlight

By STEPHEN POWER in Washington and NAUREEN S. MALIK in Port Fourchon, La.

Michael Bromwich, the nation's new chief offshore-oil regulator, is at the center of an escalating debate over the reshaping of rules that govern offshore oil and gas exploration in the Gulf of Mexico.

As BP PLC prepares to put the final plug in its broken Macondo well, which leaked oil into the sea for months, oil-industry officials and pro-drilling political figures say that if Mr. Bromwich adds too many requirements, thousands of jobs could be lost in the region. If he doesn't add enough, say environmentalists, the Gulf could suffer another major accident.

The Obama administration is fighting in court to maintain until Nov. 30 a moratorium on new drilling in waters deeper than 500 feet. The White House and Mr. Bromwich, who became head of the Bureau of Ocean Energy Management, Regulation and Enforcement in June, say the halt is necessary because the oil industry hasn't shown that it has the safety systems in place to avoid a repeat of the BP disaster.

But Mr. Bromwich also is leaving the door open to an early relaxation of the moratorium. In a letter last week to a presidential panel investigating the BP accident, Mr. Bromwich said the administration could let some rigs resume deep-water drilling before Nov. 30, should it determine that certain categories of rig "present fewer risks than others."

By his agency's reckoning, the deep-water-drilling halt puts nearly 23,000 jobs at risk. Mr. Bromwich has met with industry executives, and listened to groups on both sides of the drilling debate at a forum earlier this month in New Orleans.
"Why, with all due respect, can't this moratorium be lifted today?" asked Charlotte Randolph, president of Lafourche Parish, at the forum. Ms. Randolph's parish includes Port Fourchon, La., a center for Gulf oil and gas drilling.

"It is not yet ripe to be lifted," Mr. Bromwich replied. Mr. Bromwich said that he wanted feedback from independent technical experts on the industry's plan to form a strike force to stanch future spills, and that the agency needed time to roll out new safety regulations.

The debate over when it will be safe to restart offshore drilling was also evident last week at a hearing of the presidential commission, as an executive of Royal Dutch Shell PLC sparred with a leader of the World Wildlife Fund over whether drilling off the coast of Alaska—where Shell has a stalled project—was safer or riskier than in the Gulf of Mexico.

Commission members have questioned the drilling ban but also the government's oversight of the industry.

"This disaster represents an enormous and shared failure of public policy," said commission co-chairman Bob Graham, a former Democratic senator from Florida, last week. "We must diagnose what happened, what was the course of progress of this policy collapse, before we can credibly prescribe new directions for the future."

It is not only deep-water drilling that is stirring debate. The bureau has issued only three new permits to start wells in shallow water since the April 20 explosion of the Deepwater Horizon rig, according to the agency's website. The agency issued three to six permits a week prior to the accident, industry officials say.

Louisiana's lieutenant governor, Scott Angelle, who has participated in talks with Mr. Bromwich's agency, said the government was effectively shutting down shallow-water drilling.

"Someone is slow-walking this deal," Mr. Angelle said, referring to shallow-water permits.

The Obama administration says that there is no moratorium on shallow-water drilling and that it's simply requiring companies to submit additional information on blowout and worst-case-discharge scenarios, as well as on measures intended to prevent blowouts.

"I'm pretty confident the shallow-water drillers fully understand what we expect and ... that they intend to comply," Mr. Bromwich said.

One idea being floated by Mr. Bromwich's agency would require shallow-water-drilling companies to have the hardware available to capture four times the amount of oil that could escape in a worst-case spill, Mr. Angelle said. The government has traditionally required that companies be ready to capture twice the worst-case spill amount.

Mr. Angelle said such a requirement would be "the kiss of death" for companies. The bureau said no decisions had been made on the issue.
Mr. Bromwich, 56 years old, is a lawyer, not an oil-industry veteran. He worked from 1994 to 1999 as inspector general for the U.S. Justice Department. Mr. Bromwich said the bureau he now runs had been too deferential to oil companies in the past, and said he planned to institute rules to change that.

"He is catching up with the oil and gas business at the same time that he's trying to completely reshape a regulatory body," said James Noe, a senior vice president of Hercules Offshore Inc., a Houston-based offshore-services company. "That's a daunting task."

Aboard Hercules 251, a rig owned by the company, the crew of 100 has been waiting since mid-June to learn whether client Phoenix Exploration Co. will get a shallow-drilling permit from Mr. Bromwich's agency.

To keep workers busy, Hercules assigns them to paint rails and pipes. But the company is losing money on the rig at a rate of $25,000 a day, and says it will have to decide in September whether to let workers go.

"We've been pretty concerned," said Robert Cornett, a Hercules employee. Mr. Cornett has already taken a demotion from a driller to a "roughneck"—oilfield slang for a floorman—at a much lower salary to maintain a steady paycheck.