

US Senate Energy and Natural Resources Committee

Oral Testimony

Lamar McKay

Chairman & President, BP America

May 11, 2010

Chairman Bingaman, Ranking Member Murkowski, members of the committee. My name is Lamar McKay, and I am the Chairman and President of BP America.

We have experienced a tragic series of events.

Three weeks ago tonight, eleven people were lost in an explosion and fire aboard the Transocean Deepwater Horizon drilling rig, and seventeen others were injured.

My deepest sympathies go out to the families and friends who have suffered such a terrible loss and to those in Gulf Coast communities whose lives and livelihoods are being impacted.

Over the last few days, I've seen the response first hand and I've talked with the men and women on the front line.

There is a deep and steadfast resolve to do all we humanly can to stop the leak, contain the spill and to minimize the damage suffered by the environment and the people of the Gulf Coast.

As a responsible party under the Oil Pollution Act, we will carry out our responsibilities to mitigate the environmental and economic impacts of this incident.

Our efforts are part of a Unified Command that was established within hours of the accident and provides a structure for our work with the Departments of Defense, Energy, Homeland Security, Interior, OSHA, and other federal agencies, as well as affected state and local governments, and Transocean.

We are grateful for the involvement of President Obama and members of his cabinet and for the leadership, direction and the resources they have provided. We are also grateful to the governors, state agencies and local communities of Mississippi, Alabama, Louisiana, Texas, and Florida.

I want to underscore that the global resources of BP are committed to this effort and have been from the outset. Nothing is being spared.

Everyone understands the enormity of what lies ahead and is working to deliver an effective response – at the wellhead, on the water and at the shoreline.

Before I describe our round-the-clock efforts to respond to this series of events, I want to reiterate our commitment to find out what happened.

Figuring out what happened and why it happened is a complex process.

We are cooperating with the joint investigation by the Departments of Homeland Security and Interior and investigations by Congress. In addition, BP has commissioned an internal investigation, whose results we plan to share so we can all learn from these terrible events.

I want to be clear: it is inappropriate to draw any conclusions before all the facts are known. As we speak, our investigation team is locating and analyzing data, interviewing available witnesses, and reviewing and

assessing evidence. And today, I think it is important to give you and the American public an idea of the questions we are asking.

There are two key sets of questions here, and we are actively exploring both of them.

First, what caused the explosion and fire on board Transocean's Deepwater Horizon?

Second, why did Transocean's blowout preventer – the key fail-safe mechanism – fail to operate?

With respect to the first question, the key issue we are examining is how hydrocarbons could have entered the wellbore. BP – as a leaseholder and the operator of the well – hired Transocean to drill the well. Transocean, as owner and operator of the Deepwater Horizon drilling rig, had responsibility for the safety of all drilling operations.

We don't know yet precisely what happened on the night of April 20, but what we do know is that there were anomalous pressure test readings several hours prior to the explosion. These could have raised concerns about well control prior to the operation to replace mud with sea water in the well in preparation for the setting of the cement plug. Through

our investigation, we hope to learn more about what happened and what was done in the hours before the explosion.

Apart from looking at the causes of the explosion, we are also examining why the blowout preventer did not work as the ultimate fail-safe to seal the well and prevent an oil spill. Transocean has suggested that the BOP was no longer needed because the drilling process was complete, but the BOP remains a critical piece of equipment to ensure well control up until the well is sealed with a cement plug prior to abandonment.

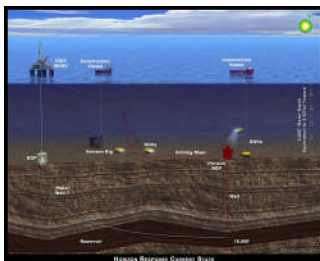
We will continue full speed ahead with our investigation, keeping all lines of inquiry open, until we find out what happened and why.

At the same time, we are fully engaged in efforts to respond to these events.

At the wellhead

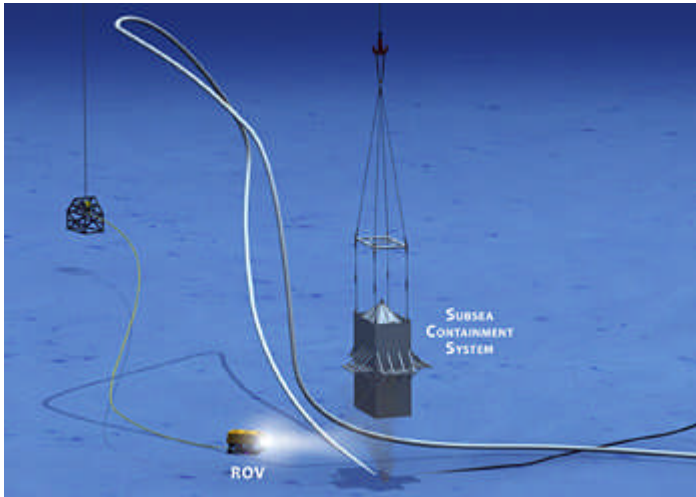
Our subsea efforts to stop the flow of oil and secure the well involve four concurrent strategies:

[SLIDE ONE PLEASE]



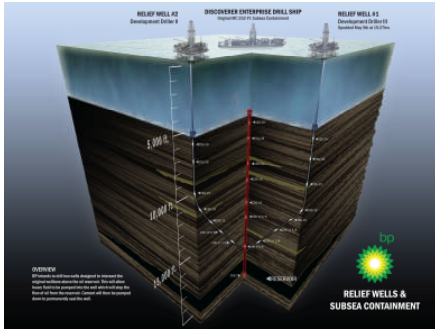
- **Activating the blow-out preventer (BOP) would be the preferred course, since it would stop or diminish the flow at the source. Unfortunately, this has proved unsuccessful so far.**

[SLIDE TWO PLEASE]



- **We are working on a containment system, which will place large enclosures or containment chambers atop the leaks and conduct flow to a ship at the surface. There have been technical challenges, however. Engineers are now working to see if these challenges can be overcome.**

[SLIDE THREE PLEASE]



- We have begun to drill the first of two relief wells designed to intercept and permanently secure the original well. We began drilling the first relief well on May 2nd, and expect to begin drilling the second relief well later this week. This operation could take approximately three months.
- A fourth effort -- known as a “top kill.” – uses a tube to inject a mixture of multi-sized particles directly into the BOP to cap the well. It is a proven industry technique and has been used worldwide, but never in 5000 feet of water. This could take two or three weeks.

Attacking the spill

On the open water, a fleet of 275 response vessels has been mobilized, and nearly one million feet of boom are now in place, with more than a million more feet available.

We are also attacking the spill area with Coast Guard-approved biodegradable dispersants, which are being applied from planes and

boats. We have also developed and tested a technique to apply dispersant at the leak point on the seabed. The EPA is carefully analyzing options for this technique's possible future use.

To protect the shoreline, we are implementing what the US Coast Guard has called the most massive shoreline protection effort ever mounted.

Thirteen staging areas are in place and over 4,000 volunteers have already been trained.

Coping With Economic Impacts

We recognize that there are both environmental and economic impacts. BP will pay all necessary clean up costs and is committed to paying legitimate claims for other loss and damages caused by the spill.

Importance of the offshore for US energy

Tragic and unforeseen as this accident was, we must not lose sight of why BP and other energy companies are operating in the offshore, including the Gulf of Mexico. The Gulf provides one in four barrels of oil produced in the United States – a resource our economy requires.

Conclusion

BP and the entire energy industry are under no illusions about the challenge we face. We know that we will be judged by our response to this crisis.

We intend to do everything in our power to bring this well under control, to mitigate the environmental impact of the spill and to address economic claims in a responsible manner.

No resource available to this company will be spared. I can assure you that we and the entire industry will learn from this terrible event, and emerge from it stronger, smarter and safer.

Thank you for the opportunity to appear before you today. I would be happy to answer your questions.