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THE ROLE OF BP IN THE DEEPWATER
HORIZON EXPLOSION AND OIL SPILL
THURSDAY, JUNE 17, 2010
House of Representatives,
Subcommittee on Oversight
and Investigations,
Committee on Energy and Commerce,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:02 a.m., in Room 2123, Rayburn House Office Building, Hon. Bart Stupak [chairman of the subcommittee] presiding.

Present: Representatives Stupak, Braley, Markey, DeGette, Doyle, Schakowsky, Ross, Christensen, Welch, Green, Sutton, Dingell (ex officio), Waxman (ex officio), Burgess, Sullivan, Blackburn, Gingrey, Latta, and Barton (ex officio).

Also Present: Representatives Engel, Harman, Capps, Inslee, Gonzalez, Weiner, Melancon, Castor, Upton, Stearns, and Scalise.

Staff Present: Phil Barnett, Staff Director; Bruce Wolpe, Senior Advisor; Greg Dotson, Chief Counsel, Energy and Environment; Michal Freedhoff, Counsel; Robb Cobbs, Policy Analyst; Caitlin Haberman, Special Assistant; Peter Kethcham-Colwill, Special Assistant; Dave Leviss, Chief Oversight Counsel; Meredith Fuchs, Chief Investigative Counsel; Alison Cassady, Professional Staff Member; Molly Gaston, Counsel; Ali Golden, Professional Staff Member; Jennifer Owens, Investigator; Scott Schloegel, Investigator; Ali Neubauer, Special Assistant; Derrick Franklin, Detailee; Karen Lightfoot, Communications Director, Senior Policy Advisor; Elizabeth Letter, Special Assistant; Lindsay Vidal, Special Assistant; Earley Green, Chief Clerk; Mitchell Smiley, Special Assistant; Alan Slobodin, Chief Minority Counsel; Mary Neumayr, Minority Counsel; Peter Spencer, Minority Professional Staff; Kevin Kohl, Minority Professional Staff; Garrett Golding, Minority Legislative Analyst; and Jeanne Neal, Minority Research Analyst.

Mr. Stupak. This meeting will come to order. We are going to ask the press to please clear.

This hearing of the subcommittee of the Energy and Commerce Committee, the Subcommittee on Oversight and Investigations, will commence.

Today we have a hearing titled, "The Role of BP in the Deepwater Horizon Explosion and Oil Spill."

We have a number of Members present for this hearing who are not members of the subcommittee but are members of the full Energy and Commerce Committee. I welcome them, and I note that they will be allowed to submit written statements for the record but will not deliver verbal opening statements.

In addition, after all subcommittee members complete their questioning, full committee members will be allowed to ask questions. Members who are not on the subcommittee or on the Energy and Commerce Committee are welcome to observe, but they will not be permitted to provide opening statements or ask questions, due to time constraints.

The chairman, ranking member, and chairman emeritus will be recognized for 5-minute opening statements. Other members of the committee will be recognized for 3-minute opening statements.

I will yield to the chairman of the full committee, Mr. Waxman, for the first opening statement.

The Chairman. Thank you very much, Mr. Chairman. Thank you

for holding this important hearing.

And, Mr. Hayward, thank you for being here today.

Yesterday, BP pledged to establish a \$20 billion escrow account and to suspend its dividend payments for the rest of the year. I am sure these were not easy decisions for you, but they were the right ones, and I commend you for them.

Congress has multiple committees examining the gulf oil spill. Some are evaluating the impact of the spill. Some are working on the reorganization of the regulatory agencies. And some, including Chairman Markey's subcommittee, are drafting legislation to reform our oil exploration laws.

You are testifying today before the Oversight and Investigation Subcommittee, and this subcommittee has a special role: to examine the facts and determine what went wrong and to make recommendations to prevent future spills.

When it is time for questioning, I and other members of the subcommittee will ask you about a series of internal BP documents. They appear to show that BP repeatedly took shortcuts that endangered lives and increased the risks of a catastrophic blowout. And I sent you a letter in advance indicating that we are going to question you about those issues.

But what is equally important is what is missing from the documents. When you became CEO of BP, you promised to focus "like a laser on safe and reliable operations." We wanted to know what you had done to keep this promise, so we asked what e-mails you

had received, what documents you had reviewed about the Deepwater Horizon rig or the Macondo well before the blowout.

Deepwater drilling is inherently dangerous. As the entire country now knows, an uncontrolled blowout can kill rig workers and cause an environmental disaster. We wanted to know whether you were briefed about the risks and were monitoring the safety of the drilling operation.

We could find no evidence that you paid any attention to the tremendous risks BP was taking. We have reviewed 30,000 pages of documents from BP, including your e-mails. There is not a single e-mail or document that shows you paid even the slightest attention to the dangers at this well.

You are the CEO, so we considered the possibility that you may have delegated the oversight responsibility to someone else. We reviewed the e-mails and briefing documents received by Andy Inglis, the chief executive for exploration and production, and Doug Suttles, the chief operating officer for exploration and production and the person now leading BP's response to the spill.

According to BP, these are the senior officials who were responsible for the Macondo well. But they, too, were apparently oblivious to what was happening. We can find no evidence that either of them received any e-mails or briefings about the Deepwater Horizon rig or drilling activities at the well.

BP's corporate complacency is astonishing.

The drilling engineer for the rig called Macondo a "nightmare

well." Other BP employees predicted that the cement job would fail. Halliburton warned of a "SEVERE gas flow problem." These warnings fell on deaf ears.

BP's corporate attitude may be best summed up in an e-mail from its operations drilling engineer who oversaw BP's team of drilling engineers. After learning of the risks and BP's decision to ignore them, he wrote, quote, "Who cares, it's done, end of story, will probably be fine," end quote.

There is a complete contradiction between BP's words and deeds. You were brought in to make safety the top priority of BP, but under your leadership, BP has taken the most extreme risks. BP cut corner after corner to save a million dollars here, a few hours or days there, and now the whole gulf coast is paying the price.

Today's hearing will focus on BP's actions, but we learned from our hearing earlier this week that the other oil companies are just as unprepared to deal with a massive spill as BP. We are seeing in the oil industry the same corporate indifference to risk that caused the collapse on Wall Street.

And that is why reform is so urgently needed. Part of this reform must be legislation to put teeth into our regulatory system, but part must also be a transition to a clean energy economy. We are addicted to oil. This addiction is fouling our beaches, polluting our atmosphere, and undermining our national security. We can't snap our fingers or transform our energy

economy overnight, but we need to start down a path to a clean energy future.

Mr. Chairman, I look forward to today's hearing.

And, Mr. Hayward, I thank you for appearing and cooperating with our investigation.

[The prepared statement of Mr. Waxman follows:]

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Mr. Stupak. Thank you, Mr. Chairman.

We will next go to the ranking member of the full committee, Mr. Barton of Texas. Mr. Burgess and I will do our openings after the chair and the ranking.

Mr. Barton, please.

Mr. Barton. Thank you, Mr. Chairman.

Thank you, Mr. Hayward, for appearing before us.

We have kind of a dual track under way, in my opinion. We obviously are trying to gather the facts of what happened in the oil spill in the Gulf of Mexico a month and a half ago, trying to find out the causes of that spill, what can be done to prevent it in the future. And we are obviously very concerned about the mitigation and the cleanup.

We have a system in America, built up based on the British tradition over 200 years, of due process and fairness, where people that do bad things, in this case a corporation that is responsible for a bad accident, we want to hold them responsible, do what we can to make the liable parties pay for the damages.

Mr. Stupak and Mr. Waxman are doing an excellent job, working with Dr. Burgess and myself, in conducting, I think, a very fair oversight investigation. We are going to get into a number of those issues in this hearing, and we are going to ask you some pretty tough questions.

I am speaking totally for myself. I am not speaking for the

Republican Party. I am not speaking for anybody in the House of Representatives but myself. But I am ashamed of what happened in the White House yesterday. I think it is a tragedy of the first proportion that a private corporation can be subjected to what I would characterize as a shakedown -- in this case, a \$20 billion shakedown -- with the Attorney General of the United States, who is legitimately conducting a criminal investigation and has every right to do so to protect the interests of the American people, participating in what amounts to a \$20 billion slush fund that is unprecedented in our Nation's history, that has no legal standing, and which sets, I think, a terrible precedent for the future.

If I called you into my office and I had the subcommittee chairman, Mr. Stupak, with me, who was legitimately conducting an oversight investigation on your company, and said, "If you put so many millions of dollars into a project in my congressional district," I could go to jail and should go to jail.

Now, there is no question that British Petroleum owns this lease. There is no question that BP -- I am sorry, it is not "British Petroleum" anymore -- that BP made decisions that objective people think compromised safety. There is no question that BP is liable for the damages. But we have a due process system where we go through hearings, in some cases court cases, litigation, and determine what those damages are and when those damages should be paid.

So I am only speaking for myself. I am not speaking for

anybody else. But I apologize. I do not want to live in a country where, any time a citizen or a corporation does something that is legitimately wrong, is subject to some sort of political pressure that, again, in my words, amounts to a shakedown. So I apologize.

But on this hearing today, I am with Mr. Waxman, with Mr. Stupak. There are questions that need to be asked, that are legitimate, because we don't want another oil spill of this magnitude or of any magnitude in the Gulf of Mexico. And if this subcommittee can do things that make it much more difficult for this type of an incident to occur in the future, then we will have done our work for the American people.

With that, Mr. Chairman, I yield back.

Mr. Stupak. Thank you, Mr. Barton.

I will do my opening statement now.

Today is the 59th day of the BP oil spill that has devastated much of the Gulf of Mexico. Eleven men lost their lives the day the Deepwater Horizon drilling rig exploded, and in the 59 days that have followed, countless people have lost their livelihood, as the oil spill closes fishing grounds and pollutes the shores of the three States.

This is the third hearing the Oversight and Investigation Subcommittee has held and the fifth hearing overall in the Energy and Commerce Committee. Our first hearing exposed problems discovered with the blowout preventer and several other factors

that contributed to the disaster. Our second hearing was a field hearing in New Orleans where we heard from the widows of two men who died in the Deepwater Horizon explosion as well as shrimpers and other small-business owners who have suffered from the environmental catastrophe that followed.

Our staff has spent weeks combing through hundreds of thousands of pages of documents, sitting through more than 50 hours of briefings by corporate, governmental, and academic experts, in an attempt to piece together what went wrong with BP exploration of the Macondo well. We have reviewed several questionable decisions made by BP in the days and hours leading up to the explosion, and what we have learned so far is alarming.

We have learned that, time after time, BP had warning signs that this was, as one employee put it, a "nightmare well." BP made choices that set safety aside in exchange for cost-cutting and time-saving decisions.

For example: BP disregarded questionable results from pressure tests after cementing in the well.

BP selected the riskier of two options for their well design. They could have hung a liner from the lower end of the casing already in the well and install a tieback on the top of the liner, which would have provided additional barriers to the release of hydrocarbons. Instead, they lowered a full string of new casing, which took less time and cost less but did not provide the same protection against escaping hydrocarbons.

BP was warned by their cement contractor Halliburton that the well could have a "SEVERE gas flow problem" if BP lowered the final string of casing with only six centralizers instead of the 21 Halliburton recommended. BP rejected Halliburton's advice to use additional centralizers. In an e-mail on April 16th, a BP official involved in the decision explained, and I quote, "It will take 10 hours to install them. I do not like this," end of quote.

BP chose not to fully circulate the mud in the well from the bottom to the top, which was an industry-recommended best practice that would have allowed them to test for gas in the mud.

BP chose not to use a casing hanger lockdown sleeve, which would have provided extra protection against a blowout from below.

These are just a few of the issues that led to the disaster. Once the Deepwater Horizon exploded and sank to the bottom of the sea, BP's response to contain the leak and clean up the spilled oil was equally as poor. They issued lowball estimates of the amount of oil flowing from the well, which may have led to a scaled-back response.

We discovered that BP's oil spill response plan was virtually identical to other oil companies' plans. In a hearing Tuesday, ExxonMobil CEO Rex Tillerson admitted that once the spills occur, he says, quote, "We are not well-equipped to handle them," end of quote. All the other oil companies testified at Tuesday's hearings that they would not have drilled the well as BP did.

Our witness today, Mr. Tony Hayward, is the chief executive

officer of BP. Shortly after Mr. Hayward took over as the CEO in 2007, he held a town hall meeting with employees in Houston. At this meeting, he discussed the need for BP to be leaner, with fewer people in decision-making processes.

This article -- and I will ask you put up the Guardian article -- an article from September 27, 2007, Guardian newspaper in London, entitled, "Hayward Says Oil Company Has Become Too Cautious," reads, and I quote, "'Assurance is killing us,' Mr. Hayward told U.S. staff, noting that too many people were engaged in decision-making, leading to excessive cautiousness, something that critics of its safety performance in the U.S. might question."

Let me put up these other notes from the same meeting. We received notes from BP of employees and their note-taking from this meeting. The employee notes summarize Mr. Hayward's statements as follows: "I don't think having all these layer of assurance reduce risk, and it can actually increase it. The best way to reduce risk is to have deep technical competence where we need it. Individuals need to be accountable for risk and to manage it," end of quote.

I find this cavalier attitude towards assessing risk unbelievable, given the fact that, at the time of these statements, BP had just been responsible for the largest oil leak in Alaska's history on the North Slope, as well as the 2005 Texas City refinery explosion, which killed 15 workers and injured

another 170.

I must ask, Mr. Hayward, whether it was wise to adopt this leaner decision-making process with input from fewer people and a new approach to managing risk.

Under the leadership of Bob Malone, the former chairman and president of BP America, BP created an independent office of the ombudsman, headed by Judge Stanley Sporkin. The ombudsman's office was established because line workers reported fearing retaliation if they reported safety concerns to management.

When the current chairman and president, Lamar McKay, took over, I met with him, and he suggested that he hoped to improve the culture enough to make the ombudsman office unnecessary so he could shut it down. I urged him not to eliminate the office because it serves a significant role in investigating employee complaints.

I am more concerned now than ever about BP's safety and the role they take in assuming risk. I am concerned that the corporate culture, from BP CEO Tony Hayward down to chairman and president of BP America, Lamar McKay, and Chief Operating Officer Doug Suttles, that there is a willingness to cut costs and take greater risks.

I look forward to hearing Mr. Hayward answer the many hard-hitting questions that our committee members will ask today. I hope we will hear honest, contrite, and substantive answers.

Mr. Hayward, you owe it to all Americans. We are not "small

people," but we wish to get our lives back. For the Americans who live and work on the gulf coast, it may be years before they get their lives back. For the Americans who lost their lives on the rig, their families may never get their lives back.

Mr. Hayward, I am sure you will get your life back, and with a golden parachute back to England. But we in America are left with the terrible consequences of BP's reckless disregard for safety.

I yield back my time and turn to the gentleman from Texas, Mr. Burgess, for an opening statement.

[The prepared statement of Mr. Stupak follows:]

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Dr. Burgess. Thank you, Chairman Stupak.

Today does open our third hearing, and a very critical hearing, into this subcommittee's ongoing investigation into the tragic accident of the Deepwater Horizon explosion and oil spill, which continues 24 hours a day to wreak economic and environmental havoc on our gulf coast.

This hearing provides the subcommittee with an important opportunity to directly question the man who ultimately leads BP, Mr. Tony Hayward, the company's chief executive officer. And BP's role has been central to the causes of the incident and to the response.

Over the course of our inquiry to date, committee investigators, working in a bipartisan fashion, have conducted numerous interviews and briefings and reviewed tens of thousands of pages of documents. Our subcommittee staff has done an excellent job. And this subcommittee has been focused on gathering the facts, rather than rushing to judgment.

And from this intensive effort, we have begun to identify a number of serious questions about BP's decision-making that led up to the disaster. Exploring these and related questions today will help us identify for Congress and identify for the country what went wrong on April 20th and the days thereafter.

And while we are investigating, a picture of the chain of events leading to this incident is emerging. Mr. Chairman, you

and Chairman Waxman recently outlined some critical questions that we hope Mr. Hayward will address. For example, you noted the investigation has identified questionable choices by BP engineers to use a particular well design over another one that would appear to have provided more built-in barriers to an uncontrolled gas discharge.

There was the choice made by BP to move forward with what appears to be an inadequate cementing plan and the related failure, despite clear warnings to test that the cement was properly set and in place. And it appears there may have been a rush to move off this well. Whether there may have been economic or other time or performance pressures or some combination thereof, it is not clear, but that clarity needs to emerge today.

The questions arising from our investigation outline the central role that BP's decision-making appears to have had in this incident. We need to understand that decision-making, Mr. Hayward, what factors influenced it, whether the decisions reflected a management and an operational mindset that failed -- failed to maximize safety in a challenging deep-sea environment.

It is important to note that the picture developing from this investigation is not one of technological limits in deep-sea drilling. The construction of an 18,000-foot well was not pushing the envelope of engineering know-how, so far as we have identified. But the picture developing is one of unsafe industry practices. Although clear, more focused industry standards may be

in order going forward, available evidence suggests that the use of best industry practices would have resulted in more cautious designs and more testing, more safeguards, and ultimately no loss of control of the well.

Rather, and quite clearly, the picture developing from our investigation is one of questionable decision-making, decision-making by people charged with designing and successfully drilling, constructing, and controlling a well that was a mile under water. It is a picture composed of a series of choices which, taken together, created an oil well particularly vulnerable to a blowout and of all the people who may have been distracted, unaware, or resistant to recognizing the problems around them.

Documents show that BP was prepared to run a test on the quality of the cement job but chose not to. I can't understand why, given the history of this particular well, with four previous well control incidents in the 2 months prior to April 20th. The rig personnel appear to have taken their eye off the ball.

BP employees were the key decision-makers. Certainly, others -- contractors, subcontractors, certainly Federal regulators -- may have contributed to this incident. The role of the Federal Government especially, including the overall effectiveness of the response and the efforts to help those harmed by the incident, remains a critical piece that, Mr. Chairman, we must pursue at the level of this committee. And I am still disappointed that we have not done that.

But it is BP's decision-making about the well design, the cementing program, the preparation, the integrity test, or the lack thereof, or just the general lack of curiosity as to why these would be necessary, the failure to follow best practices, that our investigation to date is showing were critical factors in this incident.

But this decision-making is difficult to square with avowed priorities of BP's chief executive. Mr. Hayward, in an interview before you became chief executive, you described how the death of a worker in an operation that you were leading in Venezuela shaped your opinions. You said, and I am quoting, "I went to the funeral to pay my respects. At the end of the service, his mother came up to me and beat me on the chest. 'Why did you let it happen?' she asked. It changed the way I think about safety. Leaders must make safety of all who work for them a priority," end quote.

Mr. Hayward, I respectfully request that you answer this question in your opening statement, if not for me, then for the two ladies who testified before our committee at the field hearing who lost their husbands on the Deepwater Horizon. You have been chief executive since 2007. You said safety is your number-one priority and you would focus like a laser beam on safety.

As chief executive, one would expect your directives and priorities would be carried out by your employees. We have now learned from this investigation that BP employees made five critical decisions that may have contributed to well failure where

well safety was traded off. In fact, it was not the priority.

So, today, will you assert before this subcommittee that all decisions by BP employees related to the Deepwater Horizon reflected your priority -- your priority -- of safety first?

Mr. Chairman, the disaster in the Gulf of Mexico shows the consequence of a series of unchecked bad decisions. We in Congress and the Federal Government must also be mindful of the consequences of bad decision-making. At a field hearing last week in Chalmette, Louisiana, the subcommittee heard some of the administration's decisions are threatening the livelihoods of workers and families who depend upon the energy industry. We have killed half of their fishing with the Deepwater Horizon spill, and it looks like we are going to kill the other half of their economy with our moratorium.

Our hearing today looks at the consequence of bad decisions and the lessons learned. May we have the wisdom and humility to take some of those lessons and apply them to ourselves.

And I will yield back the balance of my time.

Mr. Stupak. Thank you, Mr. Burgess.

I would next like to turn to the chairman of the Energy and Environment Subcommittee and chairman of the Select Committee on Climate, Mr. Markey, 5 minutes for an opening statement, please.

Mr. Markey. Thank you, Mr. Chairman, very much.

I want to begin by disagreeing in the strongest possible terms with what Mr. Barton said in his opening statement.

Not only is the compensation fund that was created yesterday at the White House in an agreement reached between BP and President Obama not a slush fund and not a shakedown; rather, it was the Government of the United States working to protect the most vulnerable citizens that we have in our country right now, the residents of the gulf. It is BP's spill, but it is America's ocean and it is American citizens who are being harmed.

We cannot wait, as unfortunately so many citizens who were victims of the Exxon Valdez spill had to wait years in order to see those families compensated. We can't lose sight of the fact that the 1984 Bhopal disaster and the lawsuits that were related to it were only settled last week. We have to ensure that the citizens of the gulf are protected.

In a hearing which this subcommittee conducted in New Orleans last Monday, we heard from a fisherman who brought absolutely impeccable records which proved that he and his family had made \$27,000 last May. And, after examining the documents, BP gave the family \$5,000.

The families in the gulf will be crushed financially unless this compensation fund is put into place. As each day and week and month goes by, the history of these families are going to be altered, and permanently altered, unless they are given the financial capacity to take care of their loved ones, their children, their families.

That is why this compensation fund is so important. That is

why it is not a slush fund. That is why it is not a shakedown.

It is, in fact, President Obama ensuring that a company which has despoiled the waters of our Nation is made accountable for the harm which is done to our people -- a company which said for the first week that it was only 1,000 barrels of oil per day, when we now know that they knew it was at least 1,000 to 14,000 barrels; a company which continues to deny that there are underwater toxic plumes; a company which has not been providing the proper protective gear for the workers in the gulf; a company which contended it could respond to a spill of 250,000 barrels per day.

No, this is not a shakedown of their company. This is the American Government, President Obama ensuring that this company is made accountable and sending a signal to all other companies that seek to treat ordinary American families in a way that can destroy their entire family's history.

This is, in my opinion, the American Government working at its best. This is creating truly the kind of partnership between the public and private sector that can make sure that innocent victims are not roadkill as a result of corporate plans that did not actually factor in the harm that can occur to ordinary families.

So I just could not disagree more strongly. I think that this is, in my opinion, one of the most important hearings that this Congress will ever have, because it is sending a signal to any corporations out there, including the ones that testified on

Tuesday that all admitted that they had no plans either to respond to the harm which could be done in the gulf if one of their rigs had the same kind of catastrophic event, that they will be made accountable.

So I thank you, Mr. Chairman, for holding this hearing.

And I thank you, Mr. Hayward, because yesterday was the day where the page began to be turned and we moved to a new era where, in fact, your company is made accountable and the citizens of the gulf are made whole.

Thank you, Mr. Chairman.

Mr. Stupak. Thank you, Mr. Markey.

I next turn to Mr. Sullivan for an opening statement. Three minutes, please, sir.

Mr. Sullivan. Chairman Stupak, thank you for holding this hearing today.

On April 20, 2010, a fire and explosion occurred on the British Petroleum-Deepwater Horizon oil rig in the Gulf of Mexico. This terrible disaster resulted in the loss of 11 lives and injured many more members of the 126-person crew.

There is no question that the BP oil spill is a tragedy. In fact, it is the worst environmental disaster in our Nation's history. I believe we must do everything in our power to cap the leak, find out what caused the explosion, and ensure nothing like this ever happens again.

BP must bear the entire financial burden for this disaster,

and the American taxpayer should not be on the hook for a dime.

According to the Occupational Safety and Health Administration, there is mounting evidence that BP has one of the worst safety records of any major oil company operating in the United States. To this end, I am looking forward to examining with Mr. Hayward whether there is a deficient safety culture at BP that led to this disaster and other recent ones, including the BP refinery explosion in 2005 in Texas City, Texas, and a BP pipeline spill in 2007 which released 200,000 gallons of oil into the Alaskan wilderness.

Mr. Hayward, why is BP's record on safety so spotty?

What is equally as important as our efforts to combat the spill is the knee-jerk legislative reaction from this Congress. Right now, the administration and their allies in the House are more focused on the politics of putting the oil and gas industry out of business than on solutions to the problem.

Instead of working in a bipartisan way to push for rigorous safety standards on all offshore rigs, the administration is exploiting this disaster to advance this disastrous cap-and-trade energy policy, which won't stop the well from leaking but, rather, will only serve as a national energy tax on the American people, crippling our economy and making the unemployment lines longer.

I believe Congress should work towards implementing rigorous safety inspection standards for all offshore rigs, but with nearly 30 percent of our Nation's oil and 11 percent of our gas reserves

located offshore, a ban on offshore drilling will only put Americans out of work. And it will send energy and gas prices through the roof and increase our reliance on foreign, imported oil.

We still have work to do to uncover exactly what went wrong, and many questions remain on the ongoing efforts to contain the leak. This tragedy should not be used as an excuse to roll back the gains we have made in finding new ways to develop our energy resources, as we will need more oil and natural gas to meet the crucial needs of our Nation.

And I yield back the balance of my time.

Mr. Stupak. Thank you, Mr. Sullivan.

Next we would like to hear from the chairman emeritus of the Energy and Commerce Committee, Mr. Dingell of Michigan, for 5 minutes, please, sir.

Mr. Dingell. Mr. Chairman, I commend you for holding this important hearing today.

We sit here on day 59 of the worst environmental disaster in the history of this country. Eleven people are dead. The already-fragile economy of an entire region is in real danger of shattering. We will be feeling the environmental consequences for years to come.

And God Almighty alone knows what the health and environmental effects of the containment and cleanup strategies will be -- millions of gallons of chemical dispersants and

controlled burns. Sadly, we can't even get a decent estimate of the amount of oil and gas that is spewing out into the water.

BP has been before this committee many times, and rarely has it been a pleasant meeting, because invariably they have appeared here to defend serious failures on the part of the company. The company has a history of cutting corners, apparently for the almighty dollar.

Texas City, they paid there \$50 million in criminal fines. Alaska's North Slope, which was investigated by this subcommittee, where a pipe corroded, allowing 1 million liters of oil to spill. In each instance, we were hoping, but the assurances given by BP that this would not happen again have been, regrettably, untrue.

In reference to a decision on how to secure the final 1,200 feet of the well, a single casing, or tieback, a BP engineer said, "Not running the tieback saves a good deal of time and money."

In reference to installing more centralizers, BP's well team leader said, "It will take 10 hours to install them. I do not like this. I am very concerned about using it." So, also, were we.

On the same matter, BP's operations drilling engineer said, "Even if the hole is perfectly straight, a straight piece of pipe even in tension will not seek the center of the hole unless it has something to centralize it." And I want you to listen to this. "But who cares? It is done. End of story. It will probably be fine" -- and note the word "probably" -- "and we will get a good

cement job. I would rather have to squeeze than get stuck. So guard right on the risk-reward occasion."

Mr. Chairman, the comments of our witness today reveal little sorrow for the events that have occurred. And here he said, "The Gulf of Mexico is a very big ocean. The amount of volume of oil and dispersant we are putting in is tiny in relation to the total water volume." And then, "The environmental impact of the disaster is likely to be very, very modest." I wonder if he wishes to stand on that statement today.

When Mr. Hayward responded to the claims that cleanup workers were becoming ill because of oil fumes and such, he said this: "Food poisoning is clearly a big issue."

And, finally, most famously, Mr. Hayward informs us he "wants his life back."

Last year, Mr. Hayward enjoyed a splendid 41 percent pay raise, even as BP's profits dropped 45 percent. Now, I just happen to be a poor Polish lawyer from Detroit, but it seems to me that this is a curious response to a drop in profits. It makes me wonder what the compensation package of our witness will be this year.

Mr. Chairman, again, I thank you for your diligence and hard work on this issue. I look forward to hearing from our witnesses today and look forward to working with you on this matter. Thank you.

Mr. Stupak. Thank you, Mr. Chairman.

Next, Mrs. Blackburn for an opening statement, please.

Mrs. Blackburn. Thank you, Mr. Chairman. I thank you and Ranking Member Burgess for holding the hearing today.

Mr. Hayward, I thank you for your willingness to testify before this committee.

You know, when news of the BP spill began and information about the well started to circulate, it seemed that there were problems not only with BP but also with the MMS bureaucracy and that maybe the problem lay there, rather than with anything that could have gone wrong with BP, that it was there with MMS.

What we have learned and confirmed is that that is not correct, that the problem does lie with BP in what went wrong. And while there are many faults with MMS in doing its job on inspection and safety oversight, most of the data now points to wrong decision-making by BP's management.

And this is not the first time -- and we have talked about that in several of our opening statements this morning -- it is not the first time that you have been before this committee on safety problems. And, certainly, as recently as the Texas 2005 and Alaska 2007 incidents, which revealed insufficient protocols in BP's management and safety hierarchy, there was this statement from BP that you all would, quote/unquote, "focus like a laser on safety."

And it is concerning to us that the appearance is, Mr. Hayward, that BP has not learned from previous mistakes. So

it leaves us asking the questions of you and of BP: Was this accident caused by negligence? It was caused by risk-taking? Was it caused by cost-cutting measures by BP decision-makers?

And, unfortunately, for citizens, beaches, and wildlife all along the coastal region, they are paying a price for those misplaced decisions. BP cannot blame Mother Nature or equipment failure or even other subcontractors. Their actions have put at risk the livelihood of communities and businesses that depend on the gulf not only for seafood and tourism but also energy production that this Nation as a whole relies upon.

In addition, the current administration also shares a significant portion of the blame for the oil spill. I mentioned MMS earlier. And the MMS officials approved inadequate spill response plans, and field inspectors rubber-stamped inspection papers submitted by oil companies. This is another area where we, as Members of Congress, in doing our due diligence, will ask you all and MMS why.

But what is the most damaging is that the President and senior officials knew on day one the blowout preventer was not working and knew of the potential spillage. While BP shoulders much of the responsibility for this spill, the lack of effort by this administration to contain the spill has doomed the economy and wildlife of the gulf coast from an oil spill which could have been contained.

And now, recently imposed drilling moratoriums will further

devastate America's energy production and will destroy hundreds of thousands of jobs in the gulf coast region.

Thank you for being with us today.

Mr. Chairman, I yield back the balance of my time.

Mr. Stupak. Thank you.

We will next turn to the vice chairman of the subcommittee, Mr. Braley, for an opening statement. Three minutes, please, sir.

Mr. Braley. Thank you, Mr. Chairman.

Mr. Hayward, you are not going to get a lecture from me today, and you are not going to get an apology either, because we are here to get to the bottom of the decision-making process that BP followed, and I think, quite frankly, the people who live along the affected area of the gulf coast deserve those answers from you.

We were in Chalmette, Louisiana, last week, and we had the opportunity to hear from a variety of individuals whose lives have been devastated by this oil disaster. And I use the word "disaster" specifically because I don't think "spill" quite captures the magnitude of what is going on.

The American people are frustrated because we were first told that this was a 1,000-barrel-per-day release, and then about a week later that was updated to 5,000 barrels per day, and then at the end of May it was adjusted upward to 15,000 to 19,000 barrels per day, and then this week we were informed that it could be as high as 60,000 barrels per day. That works out to 2.5 million

gallons a day, 17.5 million gallons per week. And over the length of this disaster, it could be up to the level of the largest release of oil in the North American continent in history, unintended.

One of the things I think we need to know about today is the decisions that your company made and who made them that led to this explosion and the subsequent disaster, what your company is doing to fix this enormous problem, and about your future commitments to all of the affected workers, families, and communities who have been devastated by this disaster.

And I think it would be helpful for you and everybody in this hearing room to hear from the two women who testified at our hearing in Louisiana last week, because they raised some very pointed questions that were directed to your company, sir. And they were questions that were raised after they gave passionate testimony of wanting the oil and gas business to continue in Louisiana and the gulf coast region.

So I would like to have you listen to their comments in the hearing. This is Natalie Roshto.

[Video played.]

Mr. Braley. These are now widows with small children to take care of, and they are the symbols and the faces of this disaster.

And I look forward to your testimony.

I yield back the balance of my time.

Mr. Stupak. Thank you.

We will next turn to Mr. Gingrey from Georgia for a 3-minute opening statement, please.

Dr. Gingrey. Thank you, Mr. Chairman.

First, I want to again express my sorrow to the families of those who lost their lives on April the 20th, 2010.

Through all the hearings and legislative consideration, we must remember those lives and the lives of their families, as we just saw, that were forever changed on that fateful April day. And we certainly must continue to keep them in our thoughts and in our prayers.

Further, we have an obligation, not only to those families but also to everyone affected by the aftermath, to get to the bottom of the causes of this accident and the failure to secure the situation and stop the devastation wreaked upon the gulf coast.

Mr. Chairman, we have an opportunity in this oversight hearing to ask questions that get to the facts of what happened. However, today's hearing is incomplete. We can only ascertain half of the story today because we do not have anyone representing the administration, the Minerals Management Service, to discuss their oversight role and their responsibility in ensuring that an accident like this didn't happen.

Deep-ocean drilling is not new. In fact, we have been doing it for decades in the gulf coast. Why did this happen now? I have heard some assert that it was the lax oversight of the

previous administration that led to this accident. Well, if that is the case, why did this not happen during the last decade? Why did this occur almost a year and a half into the current administration?

We need to hear from our own Department of Interior and the Minerals Management Service. Certainly, Mr. Hayward should be prepared to answer for BP's responsibility, but we will also need answers from the administration so that we can demand accountability and implement prudent reforms to return us to safe drilling in our oceans. Because simply saying "no" to further and new drilling is not a realistic answer.

I further realize there are some in this administration who have a penchant for not letting a crisis go to waste. But for a nation dependent on foreign oil, for a nation with unemployment hovering at 10 percent, we can't just say we can't do this. We can't take our ball and go home, when the consequences mean a weaker America. Everyone dependent on foreign fuels are all too inclined, it seems, to let jobs leave this country.

No, Mr. Chairman. We have to understand what happened on and leading up to April 20th. We need to answer those questions to determine if the rules or the agency oversight were insufficient or if this was purely an act of negligence or wanton disregard for sound regulations. Now, we can try to enact the perfect reform that ensures this never happens again, but it will not change the path or the toll upon the lives forever changed.

Mr. Hayward, the responsibility to make these families whole falls to you and your company, BP. You have an obligation to right this wrong, and not only the public trust but also the belief in the free market and entrepreneurship demand it.

And, Mr. Chairman, I await the opportunity to ask questions, with the hope that we will soon discuss these same matters with our own administration.

And I yield back.

Mr. Stupak. Thank you, Mr. Gingrey.

Ms. DeGette for an opening statement, 3 minutes, please.

Ms. DeGette. Mr. Chairman, as this is an investigative hearing, I will submit my excellent opening statement for the record in order to have more time for questioning the witness.

Mr. Stupak. Very well.

[The prepared statement of Ms. DeGette follows:]

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Mr. Stupak. Mr. Doyle, opening statement?

Mr. Doyle. Mr. Chairman, thank you for convening this hearing today so we can begin to understand what went so tragically wrong on the Deepwater Horizon.

We are now 59 days into this environmental and economic tragedy, and oil continues to gush into the Gulf of Mexico. The estimates for how much oil spills into the gulf each day continue to rise, and we still have no way to cap the well in the near future. We sit helplessly as we wait for a relief well to be completed.

As the details and facts about Deepwater Horizon come to light, it is clear to us all that the decisions made by officials at BP reflected bad judgment at best and criminal negligence at worst. Through this committee's investigation, we have learned that, at nearly every turn, BP cut corners. In well design, the number of centralizers they used, whether to run a cement bond log, circulating drilling muds and securing the wellhead with a lockdown sleeve, BP took the path of least resistance.

On Tuesday, colleagues and competitors from the oil and gas industry provided sworn testimony that they believed BP had delinquencies in well design and failed to follow the best practices of the industry. Now we learn that BP had several warnings about the Macondo well, with one of their own engineers calling it a "nightmare well." But instead of treating the well

with caution, it seems that BP's only interest was in completing the well quickly and cheaply.

Many questions still need to be answered. Were BP employees on the Deepwater Horizon given orders from BP officials to speed up the Macondo well? Were they told to slash costs wherever possible? Why would a team onboard the rig that tests the cementing of the well be sent home before performing the test? Surely if a cement bond log was ever necessary, it would be in a "nightmare well" situation. But sending the team home, BP saved \$100,000 and 9 or 10 hours of work.

Mr. Hayward, I hope you are here today to answer questions about the decision made on Deepwater Horizon that led to this tragic and deadly blowout. Earlier this week, this committee sent you a letter with detailed information about topics we would like you to address today. In reviewing your statement submitted for today's hearing, I am extremely disappointed in your avoidance of the requested topics. I certainly hope that you use the opportunity today to answer our questions openly and truthfully.

I know BP has committed to clean up the gulf region, and I expect that commitment to be ongoing. I welcome your pledge to pay damages through a \$20 billion escrow fund. But that is just the tip of the iceberg. Rebuilding the public's trust in your company and your industry will take years and many serious changes in the way you do business.

When you operate on our land and in our waters, you are only

there because the public's trust has allowed you to be there. You violated that trust in the worst possible way.

Mr. Hayward, I look forward to your testimony. I look forward to your answers to our questions and your ongoing efforts to regain America's trust.

Mr. Chairman, I yield back.

Mr. Stupak. Thank you, Mr. Doyle.

Mr. Griffith for an opening statement, 3 minutes, please.

Dr. Griffith. Thank you, Mr. Chairman and Ranking Member, for calling this important hearing today and, Mr. Hayward, for taking time to come before our subcommittee to discuss what happened on the Deepwater Horizon.

I know that, like us, your number-one priority is stopping the flow of oil. Congress and this committee owe it to the American people to do whatever we can to aid the unified command in reaching this goal. This is a time for engineering and action, and I hope you will let us know what we can do in Congress to be helpful.

There are still many questions to be answered about what happened on the Deepwater Horizon, and unfortunately we do know that, from the documents that we are reviewing, it does not look good.

My hope for our hearing today is that we will be able to put political public-relations shenanigans aside and focus on understanding why decisions were made and how BP and the industry

can ensure that they learn from this incident so that drilling safely for our valuable resources can continue.

And I might say this to you: You are never as good as they say you are or as bad as they say you are. So this hearing will go back and forth.

The other thing I would like to remind the committee is that the greatest environmental disaster in America has been cigarettes. Sixty thousand Americans this year will die from cigarette-related cancer. So if we are going to talk about the environment, let's be sure we don't leave that out. I am a cancer specialist, by the way, by training, and I never fail to bring that up.

So the environment is an important concept. We regret the loss of life. But there is much that we can do and we will put this in perspective. This is not going to be the worst thing that has ever happened to America.

Thank you.

RPTS CASWELL

DCMN HERZFELD

[11 a.m.]

Mr. Stupak. Ms. Schakowsky, 3 minutes opening statement, please.

Ms. Schakowsky. Thank you, Mr. Chairman.

At this very moment oil is gushing from the Deepwater Horizon blowout at a rate between, we learned, 35,000 and 60,000 barrels a day, killing animals, destroying fragile wetlands, and wiping out entire populations of fish, and along with it the jobs of hundreds of thousands of people.

Most upsetting about this travesty is that it could have been avoided. As the ongoing investigation by this committee has already discovered, BP executives created an atmosphere where safety concerns were ignored in order to ensure that the company's already staggering profits this year, approximately \$93 million a day in the first quarter, continued unabated. This appalling disregard for the Gulf Coast and its inhabitants is without question one of the most shameful acts by a corporation in American history.

Sadly, the Deepwater Horizon spill is just the most significant example of BP's disregard for the environment and the well-being of its workers. A report published by the Center for Public Integrity found that between June 2007 and February 2010, BP received a total of 862 citations from the Occupational Safety

and Health Administration. Of those, a staggering 760 were classified as being egregious and willful, compared with 8 at the 2 oil companies tied for second place.

Inexcusably this pattern of behavior continued in the spill's aftermath. I hold in my hand a document called Voluntary Waiver of Release that BP made unemployed fishermen sign before they could be hired for spill cleanup. The waiver states, I hereby agree on behalf of myself and my representatives to hold harmless and to indemnify and to release, waive and forever discharge BP Exploration Production, Inc., from all claims and damages that I or my representatives may have with regard to my participation in the spill response activities.

I know that you said this was an early misstep and that this was just a standard document, but this was a first response that you had to people that were hired. And outrage does not begin to express my feeling. These are people who are unemployed because of the recklessness of BP, forced to take jobs cleaning up BP's mess in order to survive, yet to qualify for those jobs they had to hold BP harmless for any further damages that they may suffer in BP's employ. This from a company that made \$93 million a day.

Fortunately, a court trumped your fancy lawyers who wrote this document, but still it begs the question, how could you do that?

I am glad that you are here, Mr. Hayward. I expect you to explain why your company has operated in such a wholly

unacceptable manner. In the final analysis, the simple fact remains that if BP had thought more about the residents, as these widows said, and the workers, as these widows said, rather than the already exorbitant profits of its shareholders, we would not be here today.

I yield back.

[The information follows:]

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Mr. Stupak. Mr. Latta for an opening statement, 3 minutes, please.

Mr. Latta. Thank you, Mr. Chairman, Ranking Member Burgess. I want to thank you for holding this subcommittee hearing on the role of BP in the Deepwater Horizon oil rig explosion and the ongoing oil spill in the Gulf of Mexico.

First and foremost, I also want to extend my heartfelt condolences to the families of those who have lost loved ones and to those who have been injured. The unprecedented scale of the spill and its increasing harmful impact on the gulf economy and environment demand a thorough investigation of BP's actions and inactions, as well as BP's current and future plans.

The flow of oil must be stopped. Every day anywhere from 35,000 to 60,000 barrels are spilling into the gulf, and only 15,000 barrels a day are being captured. The environmental effects on the oil spill are harming shorelines and coastal wetlands, fisheries and fishery habitat, as well as marine mammals and sea turtles. What is worse, we will not fully know the ecological ramifications of the oil spill until years down the road. Furthermore, local businesses suffering great losses, including jobs and revenues that are dependent on tourism, are being threatened.

The NOAA announced a revised commercial recreation fishing closure in the oil-affected portions of the Gulf of Mexico,

accounting for 33 percent of the Gulf of Mexico's exclusive economic zone. As oil continues to flow, this area is sure to enlarge, further exasperating the economic damage. A recent economic impact study by the American Sportfishing Association indicated that the entire Gulf Coast will close to recreational fishing from May through August. The region will lose \$1.1 billion in revenue, which supports 2.5 billion in total sales, 1.3 billion value added, 811.1 million income and 18,785 jobs. This potential economic damage is devastating to an area that has already suffered greatly from the aftermath of natural disasters.

Americans continue to be frustrated at the lack of management and solutions from all parties involved, and I am interested to hear more about the coordinated efforts between BP and the administration. The economic and environmental magnitude of this disaster necessitates a clear understanding of what went wrong, and BP needs to be held accountable for the disaster.

I also look forward to having MMS and the Department of Interior before this subcommittee to also -- for them to answer some tough questioning.

I look forward to hearing Mr. Hayward's testimony, and I yield back the remainder of my time. Thank you.

Mr. Stupak. Thanks, Mr. Latta.

[The information follows:]

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Mr. Stupak. Mr. Ross, 3 minutes opening statement, please, sir.

Mr. Ross. Thank you, Chairman Stupak, for holding today's hearing to examine BP's actions and decisions that directly led to the tragic explosion and oil spill that continues to gush and wreak havoc on the Gulf Coast at a rate up to over 1,700 gallons per minute. In fact, Mr. Hayward, since this hearing began a little over an hour ago, up to 112,847 gallons have been dumped into the gulf.

On day 59 of this environmental and economic disaster, with up to 60,000 barrels a day spilling into the gulf, I continue to be frustrated and downright angry by BP's response and lack of a clear and productive plan to stop the leak or efficiently clean up the oil that is destroying the ecosystems that surround the gulf.

Reports have surfaced revealing that in the days and weeks before the explosion, BP knowingly made a number of decisions that increased the danger of an explosion and spill occurring. It seems apparent that BP put profit before safety. Many people are dead; millions of gallons of oil continue to spew into the gulf. I am hopeful that Mr. Hayward can explain today why these decisions were made, how his company's actions led to this disaster, and what they are doing to remedy it.

As oil floats into the marshes and onto the beaches, as shrimping vessels sit tied to docks, as restaurants and businesses

during their peak season remain without tourists and customers, and as homeowners see their property values plummet, the people and wildlife of the Gulf Coast wait and wonder about how extensive the damage to the ecosystem or the economy will be.

This spill is not only affecting the Gulf Coast, the jobs and economies of the surrounding States are hurting as well. My State of Arkansas borders Louisiana, and many of my constituents, people I know in my hometown, work on offshore rigs. These jobs are also at risk, and I hope BP will take responsibility for all those who are affected by this spill, regardless of where they live, and work to help pull them through this disaster as well.

This bill is a wake-up call that must result in better government oversight, more advanced technology, stronger response plans and improved safety standards not only by BP and every oil company in America, but also by our government. Above all, this disaster is a learning experience that will help us prevent a tragedy like this from ever happening again, and I am hopeful this hearing can provide the answers and solutions necessary to begin that process.

Mr. Hayward, I truly hope that you will give us open and honest answers today and not those prepared by your legal team.

With that, Mr. Chairman, I yield back.

Mr. Stupak. Thank you, Mr. Ross.

[The information follows:]

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Mr. Stupak. I would next like to call on Mrs. Christensen of the Virgin Islands for an opening statement, please.

Dr. Christensen. Thank you, Mr. Chairman, and thank you for holding this important hearing.

The explosion on the Deepwater platform and the subsequent outpouring of hundreds of thousands of gallons of oil into one of the most sensitive and important bodies of water in their country is indeed a tragic accident which caused 11 deaths, many injuries and will have deep, longlasting, debilitating and expensive repercussions. The people of this country need to know what happened and who is responsible.

All that has transpired since April 20 says to me that not only BP, but no company that is drilling anywhere in our Outer Continental Shelf is prepared to deal with a spill at this depth. They are all there applying the best efforts, using the best available technology, and still 59 days later an end is not in sight. This is not acceptable.

What has also become clear is that while BP repeatedly used shortcuts, they were warned not to, which may have turned out to have caused the explosion, the deaths, injuries and the devastating spill. They are not the only ones at fault. They could not have cut some of those corners without the complicity of employees at some of the responsible government agencies who did not do their job.

We are all appalled that lives are lost by decisions made apparently in the interest of cutting costs, but also by the lack of adequate preparation for this worst-case scenario that we are facing today.

The fact that the industry did not ensure that response technology kept pace with deeper drilled wells lays blame at all of their feet, but we still cannot ignore the decisions made by BP, which, if they had been different, 11 people might still be alive today.

We as a Congress, along with our President, who has had more than his share of crises that are not of his making, have some major challenges and critical decisions ahead. I hope in the name of the 11 who died, the many more who were injured, the affected families, and those who now depend on OCS platforms for their livelihood that this and all of the hearings will help us to go beyond a knee-jerk reaction to do the right thing for the region and our country; that BP and any other responsible party will be held fully accountable and responsible; and that the petroleum and natural gas companies learn important lessons to ensure this does not happen again.

I want to thank you, Mr. Hayward, for being here. I look forward to your full testimony and the answers to the questions we will ask on behalf of the people of the region and on behalf of the American people.

I yield back, Mr. Chairman.

Mr. Stupak. Thank you.

[The information follows:]

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Mr. Stupak. Mr. Welch, opening statement, please.

Mr. Welch. Thank you, Mr. Chairman.

Mr. Hayward, in the 59 days since the Deepwater Horizon explosion caused this extraordinary environmental catastrophe and economic catastrophe, we have heard time and again from BP that this was an aberration. The facts regrettably tell a very different story.

In 2005, when BP's Texas City operation blew up, 15 workers lost their lives. In 2006, a BP oil pipeline in Texas ruptured and spilled 200,000 gallons of crude oil. In 2007, the year you became CEO, the BP Corporation settled a series of criminal charges -- not civil charges, criminal charges -- and paid \$370 million in fines.

And according to RiskMetrics, independent organization, BP has one of the worst health, environment and safety records of any company in the world. And in only 1 year, the Occupational Safety and Health Administration, OSHA, found more than 700 violations at BP's Texas City refinery, and BP paid a record \$87 million in a fine.

An independent review panel charged BP with putting profits before safety, and earlier this year a BP refinery in Toledo was fined \$3 million for willful safety violations, including the use of valves similar to those that contributed to the Texas City blast.

And finally, of course, we have the Deepwater Horizon catastrophe, and the more evidence that comes in, the more it's clear that that event was foreseeable, and it was avoidable. After the explosion, the BP said there was no oil leaking. Then it said there was 1,000 barrels a day leaking. Then it went to 5,000 barrels. We are now up to 60,000 barrels.

For 59 days, Mr. Hayward, BP has told the American people that this was an aberration, that it was a singular occurrence, and that it wouldn't happen again. Mr. Hayward, it's not an aberration. For BP, regretfully, this is business as usual, it's déjà vu again and again and again.

And the question I think many of us have is whether a CEO who has presided over a company that has incurred \$370 million in criminal fines; whose company, according to independent assessors, has one of the worst records in the world for safety and consistently puts money ahead of safety; whose peers, including Mr. Tillerson from Exxon Mobil, who testified from where you are 2 days ago they never -- Exxon never would have drilled a well the way it did at BP Deepwater Horizon; and who, as CEO, has presided over the destruction of nearly \$100 billion in shareholder value and the suspension of an annual \$10 billion dividend; does that leader continue to enjoy and have a valid claim on the trust and confidence of his employees, his shareholders, the public regulators and, most importantly, the families and small businesses of the Gulf Coast, or is it time, frankly, for that CEO

to consider to submit his resignation?

I thank you and yield back.

Mr. Stupak. Thank you.

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Mr. Stupak. Mr. Green for an opening statement, please.

Mr. Green. Thank you, Mr. Chairman.

Mr. Hayward, I appreciate your testimony and your being here this morning. And most people on this committee know I am a big supporter of Outer Continental Shelf drilling and domestic energy production. And I understand from your testimony and our other hearings we have held and meetings with the administration that efforts to cap the well are going as expeditiously as possible.

However, like many of my colleagues here, I am frustrated. I am frustrated that it has been almost 2 months, and we still have thousands of barrels of crude oil gushing into the Gulf of Mexico. I am frustrated by the threat of this disaster's impact on our wildlife and coastline. And I am particularly frustrated this single incident, one well out of thousands of successful wells of this type have been drilled, is threatening my constituents' livelihoods and the livelihoods of most of the communities on the Gulf Coast, literally from Alabama all the way back to Brownsville, Texas.

This disaster has caused the oil and gas industry in the Gulf of Mexico to shut down. Even if the moratorium does not last 6 months, it will be too late for many of these folks. But these people are not the ones to blame. They are the hardworking people with a work ethic like none other that take their responsibility on these rigs seriously.

However, according to the investigation of this subcommittee has conducted, it's obvious that several BP officials on and off the Deepwater Horizon rig did not take their responsibility of this rig seriously. Halliburton and many others warned BP officials that the decisions they were making were bad ones that could lead to serious trouble. And now people were losing their jobs because of a moratorium on drilling that could have been prevented if BP had not chosen expediency over safety, which brings me to my next point.

Whether it was the Alaskan pipeline disaster or the Texas City refinery fire where 15 people died, time after time it has been shown that BP chooses expediency over safety. Yet, Mr. Hayward, in your testimony you write that none of us knows why it happened. However, this subcommittee has uncovered five areas where BP made decisions that increased the risk of a blowout to save the company time and expense.

I added up the hours that these extra precautionary actions would have taken, and it comes to about 3 to 4 days. That's assuming that many of these actions would not have occurred simultaneously, which they know they could have. For an extra 3 days of work, men's lives would have been saved, and an industry record of safe and responsible production in the Outer Continental Shelf would still be in place, which brings me to my last point.

In your testimony, Mr. Hayward, you say that this incident calls into question whether the oil and gas industry can explore

for oil and gas in safer and more reliable ways and what the appropriate regulatory framework for the industry should be. Mr. Hayward, the decisions made by a handful of BP individuals called this into question, not this accident, and you should take the responsibility for the workers who did nothing wrong and are now losing their jobs.

Mr. Chairman, I yield back my time.

Mr. Stupak. Thank you, Mr. Green.

[The information follows:]

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Mr. Stupak. Ms. Sutton for an opening statement, 3 minutes, please.

Ms. Sutton. Thank you, Chairman Stupak.

It's been nearly 2 months since the explosion of the Deepwater Horizon drilling rig resulted in the deaths of 11 workers and injured additional workers. Since that time we have witnessed the worst environment disaster in our Nation's history, a disaster that continues to pour an estimated 60,000 barrels of oil a day into the Gulf of Mexico, a disaster that has led to over 66,000 victims filing claims to receive compensation.

Through this subcommittee's work, several alarming decisions by BP have come to light, decisions that were made to save money and time. It's unconscionable when companies pay more attention to their costs and their profits than to their own workers' safety and to our environment.

At our last hearing one witness from Transocean testified that a duplicate blowout preventer system cost roughly \$15 million, a system not used on the Deepwater Horizon rig. BP also utilized a more risky option for steel tubing, saving at least \$7 million. BP also did not fully circulate drilling mud or secure casing hangers between pipes of different diameters. And critical signals were brushed aside. When standard methods were not followed to center the steel pipe in the drill hole, one of BP's operations drilling engineers remarked in an e-mail, quote, "Who

cares? It's done. End of story."

But these cut corners have been anything but the end of the story. As the workers and volunteers from around the country help clean up the oil from the disaster, many are becoming ill. Between April 22 and June 10, 485 of BP's own workers have been injured. The Louisiana Department of Health is reporting 109 illnesses in cleanup workers, and the money and time BP tried to save has long been lost as they have already paid \$81 million in claims.

Mr. Hayward, like many Americans, I feel physically sick when I see the clips of the oil gushing in the gulf, witnessing the devastation of our waters and our coast and the wildlife, thinking about the lives of the workers killed, and hearing and seeing the pain in the faces and the hearts of the people, the families, the small businesses, the fishermen and others in the gulf, all consequences of this catastrophe.

This culture of carelessness and taking shortcuts to maximize profits at the expense of safety, this "come what may, we will cross that bridge when we come to it" attitude is unacceptable. It's outrageous.

BP must be accountable for the consequences of that approach, and we must take actions necessary on behalf of the American people to make sure that such a reckless approach will be forever abandoned. The risks and costs to our environment and to the workers in the Gulf Coast, to the workers throughout our economy,

are simply too great to allow otherwise.

I yield back.

Mr. Stupak. Thank you, Ms. Sutton.

[The information follows:]

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Mr. Stupak. That concludes the opening statements of all members of our subcommittee.

As I noted in the opening, as I noted in the opening, we have members of the full committee here. I would like to recognize them. They will be allowed to ask questions by order of seniority.

Mr. Inslee is here, a member of the committee; Ms. Castor is here; Mr. Gonzalez; Mrs. Capps; Ms. Harman; Mr. Weiner; Mr. Melancon; and Mr. Scalise.

I would like to comment that Mr. Melancon and Mr. Scalise are members of our committee. They also hosted us when we had a field hearing, the field hearing in New Orleans a few weeks ago, last week. And we had nine Members go down, one of the largest field hearings we have ever had. So you can see the interest in here.

I should also note that Ms. Jackson Lee is with us, not a member of the committee. She will not be allowed to ask questions, but we welcome her, and I know she has sat in on previous hearings we have had.

So let's move on with our first witness. Our first witness is Mr. Tony Hayward, who is the chief executive officer of BP PLC.

Mr. Hayward, it's the policy of this subcommittee to take all testimony under oath. Please be advised that you have a right under the rules of the House to be advised by counsel during your testimony. Do you wish to be represented by legal counsel?

Mr. Hayward. I do not.

Mr. Stupak. Okay. The committee also asks if you would have a technical person with you so you could consult if we have some questions that you want to run it by your technical person. Do you have a technical person with you?

Mr. Hayward. I do.

Mr. Stupak. Could you state his name and position for the record, please?

Mr. Hayward. Mike Zangy, drilling engineer.

Mr. Stupak. Okay. At any time during the questioning, if you want to consult with that individual, please let us know. We will give you a moment to do so before you answer, but you would be the only one who could answer that question. Is that clear?

Mr. Hayward, I am going to ask you to please rise, raise your right hand and take the oath.

[Witness sworn.]

Mr. Stupak. Let the record reflect the witness answered in the affirmative.

Mr. Hayward, you are now under oath. We would like to hear an opening statement from you. You may submit a longer statement, if you will, for the record.

But if you would, please, begin your opening statement, and let me state again, on behalf of all members of the committee, we appreciate your willingness to appear here today.

STATEMENT OF TONY HAYWARD, CHIEF EXECUTIVE OFFICER, BP PLC

Mr. Hayward. Chairman Waxman, Chairman Stupak, Ranking Members Barton --

Mr. Stupak. If you will suspend, please, sir.

[Disturbance in hearing room.]

Mr. Stupak. Before we begin with Mr. Hayward, let me again just mention those of you in our audience, emotions run high on this issue, but we have a hearing to conduct here. We are going to conduct our hearing; it's going to be done with proper decorum.

Mr. Hayward, when you are ready, we are going to start the clock over. You may begin.

Mr. Hayward. Chairman Waxman, Chairman Stupak, Ranking Member Barton, Ranking Member Burgess, members of the committee, I am Tony Hayward, chief executive of BP.

The explosion and fire of the Deepwater Horizon and the resulting oil spill resulting in the Gulf of Mexico --

Mr. Stupak. Excuse me, Mr. Hayward. Could I ask you to pull that up? Some of the Members are having trouble hearing, probably over the clicking of the cameras. But if you could just pull it a little closer. Thank you.

Mr. Hayward. The explosion and fire aboard the Deepwater Horizon and the resulting oil spill in the Gulf of Mexico never should have happened, and I am deeply sorry that it did. When I learned that 11 men had lost their lives, I was personally

devastated. Three weeks ago I attended a memorial service for those men, and it was a shattering moment. I want to offer my sincere condolences to their friends and families. I can only begin to imagine their sorrow. I understand how serious this situation is. It is a tragedy.

I want to speak directly to the people who live and work in the gulf region. I know that this incident has had a profound impact on your lives and caused great turmoil, and I deeply regret that. I also deeply regret the impact the spill has had on the environment, the wildlife, and the ecosystem of the gulf.

I want to acknowledge the questions that you and the public are rightly asking. How could this happen? How damaging is the spill to the environment? Why is it taking so long to stop the flow of oil and gas into the gulf?

We don't yet have all the answers to these important questions, but I hear and understand the concerns, frustrations and anger being voiced across the country, and I know that these sentiments will continue until the leak is stopped and until we prove through our actions that we are doing the right thing.

Yesterday we met with the President of the United States and his senior advisers. We discussed how BP could be more constructive in the government's desire to bring more comfort and assurance to the people of the Gulf Coast beyond the activity we have already done. We agreed in that meeting to create a \$20 billion claims fund to compensate the affected parties and pay for

the costs to Federal, State and local governments of the cleanup and environmental mitigation. We said all along that we would pay these costs, and now the American people can be confident that our word is good.

I have been to the Gulf Coast. I have met with fishermen, business owners and families. I understand what they are going through, and I promised them, as I am promising you, that we will make this right. After yesterday's announcement, I hope that they feel we are on the right track.

I am here today because I have a responsibility to the American people to do my best to explain what BP has done, is doing, and will do in the future to respond to this terrible accident.

First, we are doing everything we can to secure the well and in the meantime contain the flow of oil. We are currently drilling two relief wells. We believe they represent the ultimate solution. We expect this to be complete in August.

Simultaneously we have been working on parallel strategies to minimize or stop the flow of oil. While not all of them have met with success, it appears that our latest containment effort is now containing about 20,000 barrels a day. By the end of June, we expect to have equipment in place to handle between 40- and 50,000 barrels a day, and, by mid-July, between 60- and 80,000 barrels a day.

Second, I have been clear that we will pay all necessary

cleanup costs. We have mounted what the Coast Guard has recognized as the largest spill response in history. We have been working hard on the leadership of the unified command to stop the oil from coming ashore, and while we are grateful these efforts have reduced the impact of the spill, any oil on the shore is deeply distressing. We will be vigilant in our cleanup.

Third, as I have made clear from the beginning, we will pay all legitimate claims for losses and damages caused by the spill. Those are not just words. We have already paid out more than \$95 million, and we have announced an independent claims facility headed by Ken Feinberg to ensure the process is as fair, transparent and rapid as possible.

Fourth, we need to know what went wrong so that we as a company and we as an industry can do better. That is why, less than 24 hours after the accident, I commissioned a nonprivileged investigation. I did it because I wanted to know what happened, and I want to share the results.

Right now it's simply too early to say what caused the incident. There is still extensive work to do. A full answer must await the outcome of multiple investigations, including the Marine Board.

To sum up, I understand the seriousness of this situation and the concerns, frustrations and fears that have been and will continue to be voiced. I know that only actions and results, not mere words, ultimately can give you the confidence you seek.

I give my pledge, as the leader of BP, that we will not rest until we make this right. We are a strong company, and no resources will be spared.

We and the entire industry will learn from this terrible event and emerge stronger, smarter and safer. Thank you.

Mr. Stupak. Thank you, Mr. Hayward.

[The prepared statement of Mr. Hayward follows:]

***** INSERT 2-1 *****

Mr. Stupak. One of the bad parts about conducting a hearing, we get interrupted every now and then by votes, and we have three votes pending right now. There's, I think, about 10 minutes remaining on this vote.

I would suggest, instead of trying to get into questions, we take a break right now. Let's stand in recess for 30 minutes. Let's come back at noon and continue this hearing. We will start with questions from all the Members.

Okay. This committee will be in recess until 12 noon.

[Recess.]

Mr. Stupak. The committee will come to back to order.

When we left off, Mr. Hayward had finished his opening statement. We would begin with questions. I will begin.

Mr. Hayward, when we heard about the explosion in the gulf, the immediate company that popped into my brain was BP, and that's because the last number of years from Texas City where people died and 170 people were injured; the North Slope, the problems we have had there; and BP's own 2007 report on the management accountability project in which it stated there was a culture that evolved over the years that seemed to ignore risk, tolerate noncompliance and accepted incompetence. So I wasn't surprised when we heard about the explosion in the gulf and BP was part of it.

Since then this committee, the oversight and investigations committee of the Energy and Commerce Committee, we have methodically looked at this issue, and I know you have and your company has also. On May 12, we had a hearing in which we looked at a number of things that went wrong. On May 25, our committee, Chairman Waxman and myself, put out a memo. It was based on BP's preliminary report, and I am sure you are familiar with that report; are you not, sir?

Mr. Hayward. I am.

Mr. Stupak. And then on June 14, Chairman Waxman and I sent you a letter, 14 pages, where we talk about the crazy well and the

nightmare well. Quite frankly, BP blew it. You cut corners to save money and time.

And as the chief executive officer of BP, as I stated in my opening, you called for a leaner decisionmaking process. You called for fewer people in the decisionmaking process. You stated, individuals need to be accountable for risk and to manage risk. Therefore, BP's leadership managed their risk in this well.

Did you manage the risk properly?

Mr. Hayward. Since I have been the CEO of this company, I have focused on safe, reliable operations.

I have set the tone from the top by making it very clear to everyone in BP that safe, reliable operations are our number one priority. Of course, this is about more than words. Safety is about three things. It's about plants, it's about people, it's about process. In the last 3 years, we have invested more than \$14 billion in plant integrity.

Mr. Stupak. But then what happened here? I mean, the June 14 letter we put out the other day went through five major areas. The head of -- the CEOs of the oil companies who were before this committee Tuesday all said you did it wrong. They never would have done a well this way.

You made decisions, whether to do a casing or the string with the tie-back, which everyone said the tie-back would have been safer; the lockdown sleeves; centralizers, instead of doing 21 as was recommended, you only do 6. That defies the safety emphasis;

does it not?

Mr. Hayward. We launched an investigation, which we have shared with yourself, Mr. Chairman, and all of your Members, which has identified seven areas. It's identified areas around cements, casing, integrity pressure measurements, well control procedures, and three areas around the blowout preventer which failed to operate. An investigation is ongoing. It's not complete.

Mr. Stupak. Sure. But you are CEO of this company. You said you were here to answer the questions of the American people. You were an exploration manager, exploration manager with BP. You were the director of BP's exploration. You were vice president of BP's exploration and production. You hold a Ph.D. from the University of Edinburgh.

Based on our May 12 hearing, the May 25 memo, our June 14 letter to you, based on all those facts, are you trying to tell me you have not reached a conclusion that BP really cut corners here?

Mr. Hayward. I think it's too early to reach conclusions, with respect, Mr. Chairman. The investigations are ongoing. They have identified seven key areas, and when they complete --

Mr. Stupak. Every one of those seven key areas, sir, dealt with saving time and saving money and accepting the risk. So if we use your own words, if you are going to hold BP accountable, then we have to manage the risk.

Should leadership at BP be held accountable here?

Mr. Hayward. There is no doubt that I have focused on safe,

reliable operations. We have made major changes in everything we do over the last 3 years. We change people --

Mr. Stupak. What changes have you made since April 20 when the BP Deepwater Horizon exploded? What changes were made then?

Mr. Hayward. Based on what we know so far, we have made changes with respect to the testing and evaluation of blowout preventers. We have made changes with respect to ensuring that people who are likely to be dealing with well control are up to date and fully validated for well-control procedures. And as we learn more about what happens here, we will continue to make changes.

Mr. Stupak. My time is just about up. I am going to try to hold Members quickly to our time because we want to get through at least one more round.

Let me just ask you this: The last 5 years I have been up here, your safety record, you have 26 people dead, more than 170 injured. You have the largest spill ever in Alaska, and you now have the largest environmental disaster to hit the United States with no end in sight with this disaster.

Do you believe the U.S. Government should continue to allow companies that have poor safety records, poor environmental records, to explore minerals or oil exploration in our country? Should there be a ban on companies that have miserable safety and environmental records?

Mr. Hayward. In the 3 years that I have been CEO, I have

focused on improving dramatically our safety and environmental performance. At the price of this accident, that has indeed been the case, and that is why, amongst all the other reasons, I am so devastated by this accident.

Mr. Stupak. I agree, and under your tenure, you said you had the 2007 report that was scathing of BP's culture. We still have problems with Alaska. You said you are going to hold people accountable. Who are we going to hold accountable here?

Mr. Stupak. We have engaged in a systemic change at BP over the last 3 years. We have begun to change the culture. I am not denying that there isn't more to do, but we have made dramatic changes in the people we had in our organization, the skills and capabilities they have. We have invested heavily into that. We have changed significantly the processes that we use to manage our operations, and, most importantly perhaps, we have made safe, reliable operations the core of the company. It is the thing that I talk about every time I talk internally and every time I talk externally about BP.

Mr. Stupak. In your opening statement you said as long you were CEO of BP, CEO of BP, these things would occur. Do you expect to be CEO of BP much longer?

Mr. Hayward. At the moment I am focused on the response. I think everyone here believes that the highest priority is to stop the leak, continue on on the surface and clean it up. That is what my focus is.

Mr. Stupak. Mr. Burgess for questions.

Dr. Burgess. Thank you, Mr. Chairman.

The highest priority is stopping the leak. Let me ask, Mr. Hayward, is your presence here today in any way interfering with that number one task of stopping the leak?

Mr. Hayward. It is not.

Dr. Burgess. Thank you.

Let me just make ask you -- or let me just make a statement for clarification. I am not going to apologize for you. It was, after all, BP executives who were on that rig, BP executives who ultimately could have made the call to stop operations when things became unsafe, and ultimately you are the person at the top, and you are responsible.

We lost 11 men on that rig. Transocean and other companies lost 11 men on that rig. I don't feel that apologies are in order.

But, Mr. Chairman, I do have serious questions about the setup of this fund that we heard about from the White House yesterday. And I hope this committee will stay engaged in the oversight of that activity as well. It's still disturbing to me that we have not had anyone from the Federal regulatory side. We have brought a ton of other people in here and questioned them, but really we need Mr. Salazar here. We need whoever the minerals management people were who approved that exploration plan that BP submitted that was woefully inadequate.

Shame on you, Mr. Hayward, for submitting it, but shame on us for accepting it with simply a rubber stamp.

Now I have got some questions I do need to ask.

BP, unfortunately, it's not the first time you have been in front of our committee. And in 2006, although you were not CEO that year, I pulled the transcript last night and looked through it again. The Big Oil spill in Alaska had to do with not proper maintenance on the pipelines. And when you came in, you said you were going to focus like a laser beam on safety, and certainly that had to be welcome news after Texas City, after the North Slope accident.

So what safety briefings do you get as your office's chief executive officer, and who provides them to you?

Mr. Hayward. The basis of management of safety performance is through something that we call our group operating risk committee. It's a committee that I set up, I chair. It involves the heads of all of the business streams, and we meet upon a bimonthly basis to review the safety performance across the company. That process is mirrored down through the company.

Dr. Burgess. And what type of safety directives then, or what types of directives do you issue in terms of safety as a result of those meetings, and perhaps would you be willing to share some of that information with the committee as we go forward?

Mr. Hayward. We can certainly share that information with

the committee. They range from changes to procedures to requirements of -- to have people where there are issues with safety to come and present to us.

Dr. Burgess. But somebody records minutes during those meetings, and then your directives that come as a consequence of those briefings are written down and delivered to the appropriate managers on the ground?

Mr. Hayward. There are minutes of those meetings.

Dr. Burgess. I beg your pardon?

Mr. Hayward. There are minutes of those meetings.

Dr. Burgess. Let me ask you this. Mr. Stupak already alluded to the fact that should we allow someone who is perhaps not following the best practices, drilling practices, continue to drill.

Is there any other well, to your knowledge, in the Gulf of Mexico that has been done in the same manner as this well that was drilled under the Deepwater Horizon?

Mr. Hayward. There are many wells in the Gulf of Mexico.

Dr. Burgess. Are there any other wells where you haven't put the proper number of centralizers in?

Mr. Hayward. There are many wells in the Gulf of Mexico that have the same casing design. There are many wells that have been drilled where the same cement procedure has been --

Dr. Burgess. Now, have the Minerals Management Service people been there and looked over those with a fine-tooth comb?

Mr. Hayward. Everything that we do is subject to regulatory oversight.

Dr. Burgess. Are you changing your procedures of those wells as a result of things that you have encountered in your investigation --

Mr. Hayward. I apologize, sir. As we learn from our investigation, we will make appropriate changes, as I have already indicated.

Dr. Burgess. Are there any of those changes that are ongoing right now?

Mr. Hayward. The ones that I have talked about are ongoing.

Dr. Burgess. Well, let me ask you this. Now, the question came up about centralizers, and someone said that they would rather push more cement or squeeze more cement than getting something stuck. I am not technically savvy enough to know exactly about that, but if that's the statement, and you are going to push cement and deal with a fewer number of centralizers to hold this thing steady in the center of the column, is there any way to find out that, in fact, that cement went where you intended it to do, and that rod didn't, in fact, get off to one side or the other?

Mr. Hayward. I wasn't part of the decisionmaking process on this well. I have looked at the material --

Mr. Stupak. Yes. That's not the question I asked you. Was there a procedure that could have been followed that would have

actually given that information?

Mr. Hayward. I can't answer that question. I am not a cement engineer, I am afraid.

Dr. Burgess. There is, and those people were available, and for whatever reason they decided not to do that. Do you think that might have made a difference in the ultimate story of the Deepwater Horizon?

Mr. Hayward. I am not prepared to speculate on what may or may not have made a difference until such time as the multiple investigations that are ongoing are concluded.

Dr. Burgess. Well, but prior to April 20, when the well blew up, were you briefed on the progress of the drilling of the Macondo well?

Mr. Hayward. The only knowledge that I had of the Macondo well occurred in April when it was evident to the team drilling it that we had made a discovery, and they notified myself that we made a discovery.

That was my only prior involvement in the well.

Dr. Burgess. Who briefed you? Who briefed you on that discovery?

Mr. Hayward. The person who would have briefed me would have been the chief executive of exploration and production.

Dr. Burgess. Were you privy then to any other information, the difficulties that they had had the multiple gas kicks, the losing the tools down the hole, the length of time they have been

over the hole, the decisions to move quickly because we had spent too much time over this well?

Mr. Hayward. I had no prior knowledge.

Dr. Burgess. Who would have had that information?

Mr. Hayward. Certainly the drilling team in the Gulf of Mexico.

Dr. Burgess. But you are the CEO of the company. Do you have any sort of technical expert who helps you with these things who might have been there?

Mr. Hayward. With respect, sir, we drill hundreds of wells a year all over the world.

Dr. Burgess. Yes, I know. That's what is scaring me right now.

Did you have a technical expert who was advising you there on this well, because we have heard from other people that there were problems, it was a bad well, it was a dangerous well; gas kicks, and the mud was not degasified or whatever the procedure was. So did you have a technical expert advising you?

Mr. Hayward. I had no prior knowledge or involvement in the drilling of this well, none whatsoever.

Dr. Burgess. But who was? If you are the CEO of the company, if I were a shareholder of BP, which I am not, but if I am, how can I have comfort that the CEO knows what's going on as far as safety on the rigs, or is it true it's just all about profit?

Mr. Hayward. There was a drilling team providing oversight of this well.

Dr. Burgess. There was a drilling team.

Mr. Stupak. We will go to Mr. Waxman.

The Chairman. Thank you very much, Mr. Chairman.

Mr. Hayward, when you became CEO 3 years ago, you said that safety was going to be your top priority; you would focus on it like a laser. Your Website said, safe and reliable operations are integral to BP's success.

I want to ask you whether you think that BP met that commitment that you made when you became CEO?

Mr. Hayward. Since I became CEO, we have made a lot of progress. We have made it very clear to everyone in the company that safe, reliable --

The Chairman. Have you met that commitment that you made?

Mr. Hayward. And we made major changes. We made major changes to our --

The Chairman. You made major changes, but now we see this disaster in the gulf. Does that indicate that you didn't keep that commitment?

Mr. Hayward. And one of the reasons that I am so distraught.

The Chairman. Could you answer yes or no? I don't want to know whether you are distraught. I want to know whether you think you have kept your commitment.

Mr. Hayward. We have focused like a laser on safe and

reliable operations, that is fact, every day.

The Chairman. Okay. Well, let me follow up on that. We had a hearing earlier this week with CEOs from the other oil companies. They were unanimous in their view that you made risky decisions that their companies would not have made. And in particular they criticize your decision to install a long, single string of casing from the top of the well to the bottom on April 19, the day before the blowout. They said this well design choice provided an unrestricted pathway for gas to travel up the well in the annulus space that surrounded the casing, and, of course, it blew out the seal.

How do you respond to their criticism? Did BP make a -- a fundamental misjudgment in selecting a single string of casing?

Mr. Hayward. I wasn't involved in any of that decisionmaking.

The Chairman. Well, I want to know your view of it, now that you know about it, now that you know what your company did. Pursuant to your laser request that they be attuned to safety, do you think that that was a mistake?

Mr. Hayward. The original well design was to run a long string. It was approved by the MMS. There was only discussion in the course of the drilling of the well whether a long string or a 7-inch line that would be most appropriate. That is what I understand based on having looked at the documents and listened to our investigation team.

The decision to run a long string, at least in part, was to do with the long-term integrity of well.

The Chairman. But let me be fair to you, because I am asking you to look with hindsight as to what happened and the decision that was made.

But your own engineers warned in advance that this was a risky approach. And I would like to put on the screen what's called a planned review that your engineers prepared in mid-April warning against the long string of casing. As you can see, your engineers said that if you used a long string of casing, that it is unlikely to be a successful cement job. You would be unable to fulfill MMS regulations, and there would be an open annulus to the wellhead, and I have that on the screen.

Now, those are serious risks, a failed cement job, a violation of MMS safety regulations, an open pathway for gas to travel to the top of the well. The same document says that if you use the liner and tie-back approach, which is what Exxon Mobil and other companies said you should have used, you would have avoided or lessened these risks, and here is what the plan review said: If you used the liner, there would be less issue with landing it shallow. There would be a second barrier to gas in the annulus and a higher chance for a successful cement job.

Now, you said that BP is supposed to be focused like a laser on safety. Yet BP apparently overruled the warnings of its own engineers and chose the more dangerous option. How can you

explain that decision by BP? Why were the safety recommendations of your own engineers ignored?

Mr. Hayward. I wasn't involved in any of the decisionmaking. It's clear that there was some discussion amongst the engineering team, and an engineering judgment was taken.

The Chairman. It's clear to me that you don't want to answer our questions, because isn't it true that you have served your life in BP? You have only recently become the CEO, but haven't you been in this business most of your professional life?

Mr. Hayward. I have been in this business 28 years.

The Chairman. Twenty-eight years. So you should have some knowledge about these issues. And I sent you a letter in advance asking you -- we were going to be asking these questions and to be prepared to answer it.

How can you explain this decision where you ignore -- not you, yourself, but people who work for you who should have known that it was your directive to be a laser on safety. How could they have ignored these warnings from people right within your company?

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[12:38 p.m.]

Mr. Hayward. There was clearly a discussion between the engineering team as to what was the most appropriate course of action to take. An engineering judgment was taken that involved long-term integrity --

The Chairman. It was more than an engineering judgment, because April 15th there is a document, which is 5 days before the blowout, that said that using the safer liner will add an additional 7- to \$10 million to the completion cost. The same document calls it the single string of casing, the best economic case for BP.

And the conclusion I draw from these documents is that BP used a more dangerous well design to save \$7 million. What do you think about that? What is your response?

Mr. Hayward. I believe that document also highlights that the long-term integrity of the well will be best served by a long string. The long string is not an unusual well design in the Gulf of Mexico. As I understand it --

The Chairman. Say that again.

Mr. Hayward. The long string is not an unusual design in the Gulf of Mexico.

The Chairman. As I understand it from Halliburton's witness that was interviewed by our staff, that only 2 to 10 percent of

those wells might use this particular string.

Now, ExxonMobil and other CEOs said they wouldn't proceed this way. It appears to me that BP knowingly risked well failure to save a few million dollars. And even drilling 18,000 feet below the sea, if you make mistakes, the consequences of those would be catastrophic and, in fact, it turned out to be catastrophic. Don't you feel any sense of responsibility for these decisions?

Mr. Hayward. I feel a great sense of responsibility for the accident. We need to allow --

The Chairman. How about for the decisions that made the accident more likely?

Mr. Hayward. We need to determine what were the critical decisions and --

The Chairman. Did you get my letter and did you review it?

Mr. Hayward. I have read your letter, Chairman.

The Chairman. Do you realize in the letter that we asked you to be prepared to discuss these issues?

Mr. Hayward. As I said, I have seen the documents following your letter, and I cannot pass judgment on those decisions.

The Chairman. Even though you have worked 28 years in the oil industry, you are the BP CEO, and you said like a laser you are going to -- safety is the biggest issue and you have people under you making these kinds of decisions and now you are reviewing them.

Do you disagree with the conclusion that this was riskier to use this particular well lining?

Mr. Hayward. I am not prepared to draw conclusions about this accident until such time as the investigation is concluded.

The Chairman. This is an investigation. That is what this committee is doing. It is an investigatory committee. And we expect you to cooperate with us. Are you failing to cooperate with other investigators as well? Because they are going to have a hard time reaching conclusions if you stonewall them, which is what we seem to be getting today.

Mr. Hayward. I am not stonewalling. I simply was not involved in the decision making process. I have looked at the documents. And until the investigations are complete, both yours and others --

The Chairman. That is somebody else's conclusion. What is your conclusion?

Mr. Hayward. I haven't drawn a conclusion, Mr. Chairman.

The Chairman. I see. My time has expired and I am just amazed at this testimony, Mr. Hayward. You are not taking responsibility. You are kicking the can down the road and acting as if you had nothing to do with this company and nothing to do with its decisions. I find that irresponsible.

Mr. Stupak. Along those lines, do you disagree with the conclusions of Chairman Waxman's June 14th letter, the one Mr. Chairman and I sent you? Do you disagree with those five

conclusions, five areas we hit, the conclusions we reached? Do you disagree with it?

Mr. Hayward. I think there are very legitimate issues for concern, Mr. Chairman.

Mr. Stupak. They are very what?

Mr. Hayward. Legitimate areas for concern.

Mr. Stupak. So we reached legitimate conclusions that people could then base the decision, cut corners to save money and we had this accident, correct?

The Chairman. It doesn't appear you are very concerned about them, are you?

Mr. Hayward. I am very concerned that we get to the bottom of this incident and understand exactly what happens such that we can be sure that it never happens again.

The Chairman. Easy to say.

Mrs. Blackburn. Mr. Chairman, just a request, please. If Mr. Hayward could move the microphone a bit closer. I am having difficulty hearing.

Mr. Stupak. Right. I think we all are. Pull it a little closer if you could, please.

Mr. Sullivan for questions, please. I should note Mr. Upton is here from Michigan, a member of the full committee and so is Mr. Engle. They want to ask questions, they can at the appropriate time. Mr. Sullivan.

Mr. Sullivan. Thank you, Mr. Chairman.

Mr. Hayward, according to the Occupational Safety and Health Administration, there is mounting evidence that BP is one of the worst -- has one of the worst safety records of any major oil company operating in the United States.

Is there a deficient safety culture at BP that led to the Deepwater Horizon and other disasters like the refinery explosion in Texas City, Texas, and the Alaskan oil pipeline spill?

Mr. Hayward. I think we acknowledged in 2005 and 2006 that we had serious issues, and as a consequence set out to implement systematic change in the culture and safety of BP. I set the tone from the top by saying very clearly, safe, reliable operations were our number one priority. We have invested billions of dollars in the integrity of that plant. We have recruited many thousands of engineers and technologists into our company, including many from other industries such as the nuclear industry and other parts of the chemical and oil and gas industry, and we have changed fundamentally our whole approach to the management of our operations through the implementation of significant changes to our processes.

Mr. Sullivan. It doesn't seem like that. If you look at the reports of what happened on the Deep Horizon, it doesn't look like many safety procedures have changed much at all. And, Mr. Hayward, do you feel that your safety record compared to other major oil companies is comparable?

Mr. Hayward. As I said, it is clear that we had some serious

issues to deal with in the 2005-2006 time frame and we have worked hard to improve our safety performance since that time for it.

Mr. Sullivan. It doesn't seem to be changing Mr. Hayward; your safety performance doesn't. Here are some highlights of your safety procedures. BP had 760 safety violations and you paid millions of dollars, 373 million in fines to avoid criminal prosecution for manipulating the propane markets.

Also, if you look at other industries, sir -- let us take some of your competitors, for example. Sunoco -- you had 760 violations in 5 years. Sunoco had 8 safety violations. ConocoPhillips had 8 safety violations in the same time you had 760. Citgo had 2 safety violations at the same time you had 760. And ExxonMobil had 1 safety violation in the same time period you had 760. How in the heck do you explain that?

Mr. Hayward. As I said, we acknowledged the problems we had in 2005 and 2006. The vast number of those things that you refer to date from that time period and we have made major changes in the company over the last 3 to 4 years.

Mr. Sullivan. Do you think the changes you made in that time period you are talking about when you were CEO -- I understand why you are saying that -- do you think that they were using those measures and protocols on the Deepwater Horizon?

Mr. Hayward. To my best knowledge, they absolutely were.

Mr. Sullivan. You don't think they short-cut anything on the Deepwater Horizon? You are CEO of a major company. Do you, in

fact, looking back, sir, do you think that they cut corners?

Mr. Hayward. I believe we should await the results of the investigations before we draw conclusions.

Mr. Sullivan. Sir, you had to have looked at some of the results -- your internal investigation. Internally, your investigation, did it show any kind of breakdown, something that you -- with your protocols you said you put in place, were any of those short-cut?

Mr. Hayward. The investigation is still ongoing as you know. It has identified seven areas: the cement casing, the integrity pressure well control procedures, and three failures of the blowout preventer. And when the investigation is concluded we will make a judgment.

Mr. Sullivan. I would say that this problem is with your organization and your safety and the culture of your company's safety culture, and not a culture of our domestic oil and gas producers. As we can see, they haven't had the kind of problems you have had with cutting corners on safety. They have a lot of redundancies, contingency plans. I venture to say that this may not have happened if one of these other companies was operating that rig. Would you say that would be true?

Mr. Hayward. I don't think I can make that judgment.

Mr. Sullivan. Do you think the other companies have different or stricter or -- stricter guidelines with their safety and spend more money on it? Because you probably compare

yourselves to other companies, I am sure.

Mr. Hayward. I cannot make that comparison, but I can clear what we have done. We have invested billions of dollars, we have recruited thousands of people, and we have changed significantly our process, systems, and procedures in the course of the last 3 years.

Mr. Sullivan. Well, thank you. I yield back.

Mr. Stupak. Thank you.

Before Mr. Dingell begins questions, we have votes on the floor again. There is less than 10 minutes remaining. So I am going to at least get through Mr. Dingell's questions and then we will recess. Mr. Dingell.

Mr. Dingell. Thank you, Mr. Chairman.

Mr. Hayward, you had two choices, using single casing or tieback. The risks are substantial associated with single casing, which is what BP chose.

Please answer yes or no. Can you assure us, under oath, that that was not a decision made to save time and money?

Mr. Hayward. I wasn't part of that decision making process. I was not part of that decision making process. So I cannot possibly know the basis on which that decision was taken.

Mr. Dingell. How much money was saved by using the single stream casing?

Mr. Hayward. I believe the documents refer to a sum of I think, I think 7- to \$10 million, and they also refer to the fact

that the casing would have longer-term integrity as a long stream.

Mr. Dingell. Please submit that for the record.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. How much time was saved?

Mr. Hayward. I don't recall the time that was saved. Would there have been some time saved?

Mr. Dingell. Would you submit that for the record, please?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Hayward. Now, you had the option of using a number of centralizers to keep the casing in the center of the bore hole. Halliburton recommended 21. You ultimately chose to use 2. Could you tell us under oath that the decision to use 6 centralizers instead of the recommended 21 was not made to save time and money?

Mr. Hayward. I was not involved in that decision, so it is impossible for me to answer that question.

Mr. Dingell. All right. Could you tell us how much money BP saved by not using the proper number of centralizers?

Mr. Hayward. I am afraid I cannot recall that.

Mr. Dingell. Would you submit that for the record?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. How much time was saved?

Mr. Hayward. I don't recall that either, I am afraid.

Mr. Dingell. Please submit that for the record.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. You and BP decided not to conduct a cement bond log, an acoustic test to find out whether the cement was bonded to the casing and surrounding formations. Despite Mineral Management Service regulations, can you state under oath to the committee that BP did not decide to -- against using the cement bond log to save time and money, yes or no?

Mr. Hayward. My understanding from what I have read -- again I was not involved in the decision making -- is that the team on the rig, the transition team, the BP team and the Halliburton team, concluded that they had sufficient evidence that the cement job was good and therefore decided not to use the cement bond log.

Mr. Dingell. Does that mean yes or no?

Mr. Hayward. It means I cannot answer your question in that form.

Mr. Dingell. How much would this test have cost BP?

Mr. Hayward. I cannot recall that number, I am afraid.

Mr. Dingell. Please submit it for the record.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. How long would the test have taken?

Mr. Hayward. Probably a number of hours, I believe; but I am not certain.

Mr. Dingell. Please submit that for the record.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. You were supposed to engage in circulating drilling mud on the well bottom when the casing is on the bottom and before cementing. This is referred to as "bottoms up." Did BP fully circulate the mud, yes or no?

Mr. Hayward. I don't believe the mud was fully circulated. The process that the team on the rig were following was in line and approved by the MMS.

Mr. Dingell. Thank you. Can you assure us, under oath again, that the decision not to fully circulate the mud was not made to save money and time?

Mr. Hayward. I cannot answer that question because I wasn't there.

Mr. Dingell. Thank you. How much money did avoiding this procedure save?

Mr. Hayward. I am afraid I cannot recall.

Mr. Dingell. Would you submit it for the record, please?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. How long would the fully circulating of the mud have taken?

Mr. Hayward. I am afraid I cannot recall that either.

Mr. Dingell. Would you submit that for the record, please?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. Now, BP made the decision not to install a casing hanger lockdown sleeve. Can you assure the committee under oath that the decision not to install such lockdown sleeve was not made to save time and money?

Mr. Hayward. That was a decision I was not a party to.

Mr. Dingell. How much did the installing of the lockdown sleeve save BP?

Mr. Hayward. I don't know.

Mr. Dingell. How much time did installing the lockdown sleeve save?

Mr. Hayward. I am afraid I don't know that either.

Mr. Dingell. Now, you have received a letter from the chairman of the subcommittee and the full committee asking a series of questions. When will the committee have the response to that letter?

Mr. Hayward. You will get it as soon as we can make it available to you.

Mr. Dingell. Now, did BP have an emergency response plan in the event of a failure at the well?

Mr. Hayward. We had a response plan which we have --

Mr. Dingell. What was the date of that response plan?

Mr. Hayward. The response plan was approved, as I recall, in June of 2009.

Mr. Dingell. Please submit to us the date of the response

plan and the number of times which it was updated and who it was that did the formulation of the plan. Please inform us for the record whether or not that plan was approved by the Mineral Management Service and on what date?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Dingell. Thank you, Mr. Chairman. I look forward to seeing those answers in the record.

Mr. Stupak. Thank you, Mr. Dingell. To let members know, we are going to stand in recess for 1 hour. We have six votes plus a motion to recommit. The good news is when we come back -- these are the last votes of the day -- we will be able to finish the hearing then.

Dr. Burgess. Mr. Chairman, Mr. Hayward has brought up a point about he followed the procedures of MMS. Once again it is so critical that we get the Federal regulatory agencies in this committee to ask them questions.

Mr. Stupak. Mr. Burgess, as you know --

Dr. Burgess. The fact that we haven't here, after all these hearings, is really disturbing to me.

Mr. Stupak. Reclaiming my time, Mr. Burgess. As you know, we have a methodical method we have been using in this investigation. We have gone through it very methodically. You know we have at least two more hearings. One was scheduled for Tuesday, but at your request and my request we moved it back a little more. There will be at least two more hearings. We will do our job. We will have all parties here before this committee at the appropriate time.

Dr. Burgess. Clearly, Mr. Hayward is not prepared to answer the questions and we need to get MMS in here to do that as well.

Mr. Stupak. MMS isn't going to help Mr. Hayward answer the questions. Mr. Hayward has to answer the questions himself.

Dr. Burgess. I would just submit that with the depth --

Mr. Stupak. We are in recess until 2 o'clock.

Dr. Burgess. Any one of us could do his job.

[Recess.]

Mr. Stupak. The committee will reconvene.

Mr. Hayward, during the last series of votes, I was approached by several members of the committee who are extremely frustrated with your lack of candor and your inability to answer their questions. We initially wanted to have this hearing last week. However, your staff pleaded with the committee to give you an additional week so you could be adequately prepared for this hearing and we agreed. In addition to the extra week, we allowed you to prepare, Chairman Waxman and I sent you a 14-page letter outlining five issues you should be prepared to address in today's hearing.

You did not address any of those issues in your opening statement. And thus far, you have responded to our questions with little substance and many claims of not knowing or not being part of the decision making processes.

You first accepted responsibility for actions to your staff in town hall meetings, and yet you have not yet provided us with direct answers or taken responsibility thus far today. I sincerely hope that you will reconsider your approach to these

questions. I hope you will be more forthcoming and less evasive with your answers for the remainder of this hearing.

We are done with votes, so we should be able to get through the rest of this hearing; and we will probably go a second round because members do want to push you on some of these issues. You are the CEO. Great experience. You have got a Ph.D. You have been head of exploration. You know what is going on. We would hope that we would have more candid responses to our questions.

With that, let me turn it to Mrs. Blackburn for questions. Five minutes, please.

Mrs. Blackburn. Thank you, Mr. Chairman. And indeed, Mr. Hayward, we are a little bit frustrated with hearing you say you were not a party to certain decisions or were not in that chain of command or that you can't comment because of ongoing investigations. So I am going to try a little different tactic because I do want to get some answers and get some items -- get some of these questions answered.

I want to go back to the safety issues. I mentioned that in my opening statement to you. I am one of those individuals that grew up down on the Gulf Coast and then moved away. I am familiar with people working offshore, if you will.

And what I would like to know from you, have you been briefed on the safety issues and the safety concerns; and then if you were a part of the decision making process on what would be considered the best operating practices, were you a part of the chain of

command, and what is the chain of command for dispute resolution when there is a difference about how to approach safety?

Go ahead. I would love your response.

Mr. Hayward. As I have said, I wasn't involved in the decision making on the day --

Mrs. Blackburn. Let us do this, then. If you were not involved in the decision making of how safety is approached on these rigs and platforms, would you submit to us in writing for the record a description of what that chain of command is and what the process is when there is a difference of opinion on how you approach rig safety? Would you be willing to submit that? And I will ask you and your team to submit that to us for the record.

[The information follows:]

***** COMMITTEE INSERT *****

Mrs. Blackburn. In addition, since becoming CEO, have you been briefed on the significant safety incidents that have occurred in BP's explorations, Alaska and production facilities over the past year? Have you been briefed?

Mr. Hayward. I had discussed those issues at the group operating risk committee.

Mrs. Blackburn. As a result of these briefings, did you authorize any changes to BP policies and practices for dealing with the safety?

Mr. Hayward. We took actions in Alaska to change both the organization and some of the processes.

Mrs. Blackburn. Thank you. Since the Deepwater Horizon incident, have you made changes? And what are those? Will you submit those to us for the record?

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Hayward. We have made changes to our testing procedures on BOPs. We have made changes to the intensity with which well-site leaders are aware of well control procedures and a variety of other interventions that are predicated on what we have learned from the incident so far. And as we learn more, we will make more changes as we deem appropriate.

And I would be very happy to submit to you, Congresswoman, the changes that we have made.

Mrs. Blackburn. Thank you. Did you ask other companies for help in cleaning up the BP oil spill? Last week for the hearing, we had several different companies. Did you all approach other companies or either other countries and ask for their help and their expertise in plugging that leak and in participating in the cleanup?

Mr. Hayward. We sought help from both our immediate peers and competitors in the Gulf of Mexico, and globally from around the world and across America. There are several hundred entities involved in the effort. All of the major operators in this country, major operators from elsewhere in the world such as Petrobras, many of them major academic institutions in this country. Some of the greatest minds in the country are involved in trying to deal with this problem.

Mrs. Blackburn. Did they participate at your invitation or the government's invitation?

Mr. Hayward. They participated, in the first instance, at our invitation; and subsequently the Federal authorities brought some of the great academic institutions in this country to bear.

Mrs. Blackburn. Are you currently -- is BP currently working on industry efforts to look at rig safety?

Mr. Hayward. We have made recommendations to the MMS with respect to the things that we have learned so far, particularly with respect to blowout preventers. And we will continue, as we learn what the realities of this accident are, to make our recommendations to the relevant authorities. And I believe that in the course of the coming months, the industry will work together to determine what is the best way forward.

Mrs. Blackburn. We hope that you are working together because I hope you understand our frustration. You have stated before safety would be a priority for BP. And we expect you all to take action on lessons learned. And when you tell us that you are taking that action and then you return because of what has occurred, Mr. Hayward, I cannot even begin to tell you how disappointing it is to us that you are saying -- and you mentioned actions and words in your testimony. But, sir, you are giving the rhetoric. What we want to see going forward is the action that indeed you have learned these lessons, that BP has learned these lessons and that you are going to share these best practices with the industry. That would be very helpful.

Thank you for being before us today. I yield back.

Mr. Stupak. I thank the gentlelady.

Mr. Hayward, you indicated that you made recommendations on the blowout preventer your company has. Would you provide those to this committee?

Mr. Hayward. We certainly can, Chairman.

Mr. Stupak. Next I will turn to Mr. Markey for questions, please.

Mr. Markey. Thank you, Mr. Chairman.

Mr. Hayward, the existence of large clouds or plumes of oil suspended deep beneath the ocean surface are of concern because the toxic oil and dispersants can poison the aquatic plants and animals, and they also consume oxygen, potentially asphyxiating marine life.

On May 30th, you stated that your samples showed no evidence of such plumes. On June 7th in a response to my letter, BP again denied the plumes existed, citing a BP document saying that there is no coherent body of hydrocarbons below the surface.

Even after NOAA Administrator Jane Lubchenco confirmed the plumes' existence on June 8th, your COO, Jeff Suttles, went on national television and continued to deny their existence.

These are photographs presented to us on the committee by Dr. Samantha Joy of the University of Georgia, who has sampled the deep water of the gulf and found such plumes. On the right there is a filter with oil clearly present from water from within a plume as it passed by.

Now, it isn't just university scientist data. I have here up on the screen as well from EPA's Web site entitled, "Subsurface Plume Detected." It was prepared using BP's data. There are 17 red dots indicating that your own data shows evidence of subsurface plumes. This is your data, Mr. Hayward.

Are you now once and for all prepared to concede that there are plumes or clouds of oil suspended deep beneath the surface of the ocean? Yes or no, Mr. Hayward.

Mr. Hayward. As I understand the data, Chairman, it indicates that there are -- there is oil in very low concentrations, 0.5 parts per million distributed through the column. The detailed analysis that NOAA conducted in three locations around the spill show that in one location, 0.5 parts per million, clearly attributed to this spill.

Mr. Markey. Are there plumes of oil beneath the ocean's surface?

Mr. Hayward. There are concentrations of oil about 0.5 parts per million in the water column. Some of it is related to this spill. Other samples from been typed to other oil.

Mr. Markey. So you do not define that as a plume?

Mr. Hayward. I am not an oceanographic scientist. What we know is that there is --

Mr. Markey. I am going to take it as a continuing "no" from you. And your testimony continues to be at odds against all independent scientists. Yesterday at the Energy and Commerce

Subcommittee on Health, during the hearing the director of the National Institute of Occupational Health and Safety told me in answer to my question that he has asked BP for a roster of all workers multiple times and BP has failed to give him that information that is critical to tracking chemical exposure.

Representative Eshoo and I were both outraged at BP's failure to take such a straightforward step to protect the health of their workers.

Mr. Hayward, will you commit to immediately provide the National Institute of Occupational Health and Safety and the Centers for Disease Control with all of the information that they need to evaluate health impacts and to protect these workers?

Mr. Hayward. We have endeavored to provide all information requests as quickly as possible, and we will endeavor to do that as well.

Mr. Markey. The head of the National Institute of Occupational Health and Safety testified yesterday that you are not doing that. Will you provide all of the information that they have requested of you?

Mr. Hayward. We are endeavoring to provide all of the information requested that we receive, and we will certainly do it for that one.

Mr. Markey. Again, the equivocation in your answer is something that is not reassuring to those workers who potentially have been exposed to these chemicals in ways that can impact on

their health. BP has dumped 30,000 gallons of drilling mud in the ocean. Drilling mud is often made using synthetic oils and other chemicals, and in this case also may have used significant quantities of antifreeze which is toxic.

Mr. Hayward, will you commit to disclosing the ingredients of the drilling mud?

Mr. Hayward. Yes, we will. I believe that all of the mud that has gone into the ocean is water-based mud with no toxicity whatsoever.

Mr. Markey. Will you also commit to disclosing all other measurements you have made related to chemical, oil, and methane concentrations in the water immediately?

Mr. Hayward. Those are being published, as we make them, on a variety of Web sites. And we will continue to do that. And we will make them available in whatever form is available to all of you.

Mr. Markey. And you will give us all of the measurements which you have made?

Mr. Hayward. All the measurements we have made have been made available and we will continue to do that.

Mr. Markey. Thank you, Mr. Chairman.

Mr. Stupak. Thank you. Mr. Gingrey for questions, please.

Dr. Gingrey. Mr. Hayward, as demonstrated by the number of cameras in this room, interest in this hearing is at a fever pitch. The anger at BP and the anger at our administration is

palpable. You just look at the polls. And we members of this committee have an obligation to get to the bottom of this to address the frustrations of the American people.

The chief executive of ExxonMobil testified just yesterday at the Energy and Environment Subcommittee of this committee that, quote, We would not have drilled the well the way they did, end of quote.

In addition, the president of Shell, John S. Watson, stated, and I quote, It is not a well that we would have drilled in that mechanical setup and there are operational concerns, end of quote.

Mr. Hayward, my profession before Congress was the practice of medicine, obstetrics and gynecology. If I had delivered a baby that resulted in a bad outcome, a seriously bad outcome, and two of my friendly competitors, well-respected peers, said that Dr. Gingrey in this instance practiced below the standard of care, I would be in a serious world of hurt.

Reflecting on the fact that two of your major competitors admitted that BP drilled the Macondo well in a nonstandard way, in retrospect what is your opinion of BP's design plan for the Macondo well?

Mr. Hayward. As I tried to explain, there are clearly some issues that our investigation has identified. And when the investigation is complete, we will draw the right conclusions.

Dr. Gingrey. With all due respect, you have had 59 days and you are not exactly moving with fever pitch here. Do you believe

BP was drilling the well following the best safety practices you were focused on reinvigorating when you were promoted to the position of CEO a couple of years ago?

Mr. Hayward. I have no reason to conclude that wasn't the case. If I found at any point that anyone in BP put cost ahead of safety, I would take action.

Dr. Gingrey. Do you believe that the decisions made regarding Deepwater Horizon on and leading up to April the 20th, such as a decision to use only 6 centralizers instead of 21, the decision to not run a cement bond log, do you believe those decisions reflect the normal decision making process at BP, or would you characterize those decisions as an exception to normal operating procedures?

Mr. Hayward. There is nothing I have seen in the evidence so far that suggests that anyone put costs ahead of safety. If there are, then we will take action.

Dr. Gingrey. Let me put it this way, Mr. Hayward, in the remaining time that I have left. If you had been physically present on that rig, along with the 11 men that were killed, would you have made the same decisions as were made? Would you have approved the decision to use only 6 centimeters, despite the recommendation to use 21? Would you have made the decision to not run a cement bond log if you had been standing on that Deepwater Horizon rig?

Mr. Hayward. I am not the drilling engineer, so I am not

actually qualified to make those judgments. Better people than I were involved in those decisions in terms of the judgments that were taken. And if our investigation determines that at any time people put costs ahead of safety, then we will take action.

Dr. Gingrey. With all due respect, Mr. Hayward, I think you are copping out. You are the captain of the ship, and it has been said by members on both sides of the aisle of this committee, we had a President once that said, the buck stops on my desk, a very distinguished President. And I think the buck stops on your desk. And we are just not getting, I don't think, the answers from you that need to be presented to this committee in a forthright manner. It is a little frustrating for all of us and it seems like your testimony has been way too evasive.

Mr. Chairman, I will yield back at this time.

Mr. Stupak. Thank you, Mr. Gingrey. Mr. Braley for questions, please.

Mr. Braley. I want to follow up on my friend from Oklahoma's questions about the culture of safety at BP, Mr. Hayward, because you have stated repeatedly since you took over as CEO of BP, that safe reliable operations are a number one priority, correct?

Mr. Hayward. That is correct.

Mr. Braley. And you have been CEO for the past 3 years, correct?

Mr. Hayward. Correct.

Mr. Braley. Then explain to us why between June of 2007 and

February of 2010, the Occupational Health and Safety Administration checked 55 oil refineries operating in the U.S.; 2 of those 55 are owned by BP, and BP's refineries racked up 760 citations for egregiously willful safety violations accounting for 97 percent of the worst and most serious violations that OSHA monitors in the workplace. That doesn't sound like a culture of safety.

Mr. Hayward. We acknowledge we had very serious issues in 2005 and 2006.

Mr. Braley. I am not talking about 2005 and 2006. I'm citing from an OSHA study between June of 2007, on your watch, and February of 2010 where OSHA said BP has a systemic safety problem. And of those 760 that were classified as egregious and willful, it is important to note that that is the worst violation that OSHA can identify. And their definition is a violation committed with plain indifference to or intentional disregard for employee safety and health; 97 percent of all of those egregious violations at U.S. refineries on your watch were against your company.

That doesn't sound like a company that, to use your words, is committed to safe, reliable operations as your number one priority. There is a complete disconnect between your testimony and the reality of these OSHA findings; do you understand that?

Mr. Hayward. I understand what you are saying.

Mr. Braley. So we also had Mr. Barton earlier make this comment about what happened at the White House yesterday. Were

you there for that conference with the White House?

Mr. Hayward. I was.

Mr. Braley. Do you think that BP was shaken down by the Obama administration to come up with this \$20 billion compensation fund?

Mr. Hayward. We attended the White House at the invitation of the government to form a way forward and try and work together to deal with the leak, the response to the leak, and to make a return of the Gulf Coast to its past. And that is what we are going to do.

Mr. Braley. I realize that we speak the same language, but it is not always the same language when we speak English in the United States and English in Great Britain. So I want to make sure I am clear on this. Here in this country, the word "shaken down" means somebody in a position of disadvantage is forced to do something against their will. Is that how you viewed these negotiations at the White House yesterday?

Mr. Hayward. As I said, we came together to figure out a way of working together to resolve what is clearly a very, very serious situation.

Mr. Braley. And the reason you came together, sir, is because it was not only in the best interest of the United States taxpayers and the citizens of this country, it is also in the best interest of BP to try to get this problem solved so that it can move forward; isn't that true?

Mr. Hayward. It is undoubtedly true. We would like to resolve this issue, as would everyone else.

Mr. Braley. When the ranking member referred to this compensation fund -- which I applaud as a positive step forward -- as a slush fund, I want you to know that in this country that implies a very negative connotation as something illegal, below the surface of what is acceptable.

Did you consider this compensation fund for people who had lost their lives, lost their businesses, lost their environment, lost their ability to -- did you consider that to be a slush fund?

Mr. Hayward. As we said yesterday, the fund is a signal of our commitment to do right; to ensure that individuals, fishermen, charter boat captain, small hotel owner, everyone who has been impacted by this is kept whole. That is what I have said from the very beginning of this and that is what we intend to do. And as I said in my testimony, I hope people will now take -- see that we are good for our word.

Mr. Braley. Can we take that as a "no" in response to my question, sir, that you did not consider this to be a slush fund?

Mr. Hayward. I certainly didn't think it was a slush fund, Congressman.

Mr. Braley. Thank you. I will yield back.

Mr. Stupak. Mr. Latta for questions, 5 minutes.

Mr. Latta. Thank you, Mr. Chairman.

Thank you for being with us, Mr. Hayward. Earlier in the

morning, our ranking member, Mr. Burgess, had asked a question and you responded by -- if I wrote it down here correctly, that everything we do is subject to regulatory oversight. And who is that when we are talking about regulatory oversight?

Mr. Hayward. The regulatory oversight of the deepwater drilling operations is the Minerals Management Service.

Mr. Latta. But here in the Federal Government, who would be out on the rig for that oversight?

Mr. Hayward. It is the inspectors of the Mineral Management Service, I believe.

Mr. Latta. I am sure there are records out there. When was the last time that the MMS would have been on the rig?

Mr. Hayward. I am afraid I am not aware of that date. But I imagine it was relatively shortly before the incident.

Mr. Latta. Do you know of any citations that were issued during the time they were on the rig?

Mr. Hayward. I am not aware of any citations, no.

Mr. Latta. Let me ask this question. I know I have talked to quite a few Members from the Gulf Coast and also from these reports, and there have been many, many cases out there where they are talking about it takes almost 5 days for a turnaround time and once it starts -- I came from local government. So the chain of command out there for local government, the State Government and depending what is the chain is out there, but they are saying over and over and over it takes about 5 days. A lot of times they say

they have to go talk to BP.

And I was just wondering -- because knowing that time is of the essence out there because of all of these critical matters that are happening, why is this, that they say they have to go ask BP and this turnaround time takes so long?

Mr. Hayward. I am afraid I cannot answer that question. I don't know.

Mr. Latta. Could you get that information for us?

Mr. Hayward. We can, yes, sir.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Latta. I guess the next question, you will probably have the same response. The question is: Who set the procedure up this way that we would have a situation where it would take a 5-day turnaround time? Do you have any knowledge of that?

Mr. Hayward. I am afraid I don't know.

Mr. Latta. After the disaster occurred, have you had direct contact with the White House, and do you have a direct person at the White House that you have been dealing with when problems arise that you can get things turned around quickly?

Mr. Hayward. My primary contact through all of this has been with Admiral Thad Allen who is the National Incident Commander. And he and I talk on a very regular basis.

Mr. Latta. When you say "on a very regular basis," how often would that be?

Mr. Hayward. Typically once a day, often more than once a day.

Mr. Latta. Again, as the lady from Tennessee, we have a kind of frustration level on getting some responses. But with that, Mr. Chairman, I am going to yield back.

Mr. Stupak. Thank you, Mr. Latta. Ms. DeGette for 8 minutes, please.

Ms. DeGette. Thank you so much, Mr. Chairman.

Mr. Hayward, in your initial testimony, you testified that BP has drilled hundreds of wells around the world. How many of them

are deepwater wells?

Mr. Hayward. I don't know the precise number, but we drill a lot of deepwater wells in various parts of the world.

Ms. DeGette. Okay. You don't know how many. Do you think that BP wells -- irrespective of where they are drilled -- should be drilled to the highest industry standards?

Mr. Hayward. I believe that is what we try to do.

Ms. DeGette. So your answer would be yes?

Mr. Hayward. Uh-huh.

Ms. DeGette. As this well was being drilled, were you informed as CEO of the company, of the progress of the well?

Mr. Hayward. I was not.

Ms. DeGette. You were not.

Before I continue, I know you had difficulty answering some of the technical questions members have asked you, so I know you brought a technical expert with you, Mr. Zanghi. Would you like us to swear him in so he can help you answer some of my technical questions?

Mr. Hayward. I think that depends on the question.

Ms. DeGette. Let's see how it goes. Mr. Hayward, you said that you received the chairman's June 14th letter to you which talked about five decisions that compromised the safety of this well: well design, centralizer, cement bond log, mud circulation and lockdown sleeve.

I want to ask you in my question about one of those issues

and that is the cement bond log. First thing I want you to do, if you can take that notebook that is to your left, open it up. In the front flap there is a memo which was written from Brian Morel to Richard Miller on Wednesday, April 14th. And that memo says, This has been an nightmare well, which has everyone all over the place.

Did anybody inform you as CEO of the country -- company -- in April of this year that this was a nightmare well?

Mr. Hayward. They did not.

Ms. DeGette. Did you consequently see this memo? Have you seen this memo?

Mr. Hayward. I saw this memo when it was raised by your committee.

Ms. DeGette. And that is the first you ever heard of it?

Mr. Hayward. That is the first time --

Ms. DeGette. Is that the first you ever heard it of being a nightmare well?

Mr. Hayward. When I first saw this --

Ms. DeGette. Now, let us talk for a minute about the cementing job because all of the testimony that we have had in this committee through our hearings, also in the Natural Resources Committee through their hearings, indicates that the choices that BP made -- and its subcontractors -- in order to save money led to blind faith in a successful cementing job. Let me just walk through it first so that you can understand.

First of all, BP chose a riskier well design and the chairman, Chairman Waxman, talked about this for a moment. The best practice would have been to use a liner and a tieback which provides four barriers to prevent the flow of dangerous hydrocarbons to the wellhead. Instead, BP as the chairman said, chose a long-string approach which has only two barriers.

An internal document of the company warned that this approach was not recommended because, quote, cementing simulations indicate it is unlikely to be a successful cement job. And you can look at Tab 6 of the notebook you have in front of you to see that, Mr. Hayward. It says, Cement simulations indicate it is unlikely to be a successful cement job due to formulation breakdown.

This is an internal BP confidential document from mid-April. Have you seen this document before?

Mr. Hayward. I saw it as a consequence of the letter that --

Ms. DeGette. But you did not see it at the time?

Mr. Hayward. I did not see it at the time.

Ms. DeGette. But there were BP folks who saw it, correct?

Mr. Hayward. There were certainly BP people who saw this.

Ms. DeGette. So the document says there would be a potential need to verify with the bond log and perform a remedial cement job, but BP chose the riskier approach.

Secondly, BP chose the riskier centralizer option. Experts have told us in testimony to this committee that the best practice would have been to use 21 centralizers, but BP only used 6. If

you take a look at Tab 8, it says on Page 18, it says you did this even though your cementer, Halliburton, said this would create a, quote, severe risk that the cement job would fail. It says based on -- it says that it would be a severe risk.

And BP's operations drilling engineer wrote about this decision: Who cares, it's done, end of story; will probably be fine and get a good cement job.

Were you aware of that document at the time, Mr. Hayward?

Mr. Hayward. I was not aware of any of these documents at the time.

Ms. DeGette. When did you learn about that memo?

Mr. Hayward. That memo was, again, when I was made aware of it by your committee.

Ms. DeGette. But you wouldn't deny that BP employees and supervisors were aware of that document at the time, correct?

Mr. Hayward. There were people in BP who were aware of that document.

Ms. DeGette. Would you say it is the best business practices to say, Who cares, it is done, end of story, will probably be fine and we will get a good cement job?

Mr. Hayward. I think that is, you know, a cause for concern. I would like to understand the context in which it was sent. And as I have said a number of times, if there is any evidence that people put costs ahead of safety, then I will take action.

Ms. DeGette. I understand. Let me finish with the cement

bond.

Now, BP failed to perform the most effective test that was known to determine whether the cement was properly sealed, and that is the cement bond log test. There was a contractor, Schlumberger, on board, hired to perform this test, but they were sent away 11 hours prior to the explosion. This test was described by Halliburton's chief safety officer, Tim Porbert, as quote: The only test that can really determine the actual effectiveness of the bond between the cement sheets, the formation and the casing itself.

Now, the committee has consulted an independent expert who said that cement bond loss should always be used. Another expert said it is unheard of not to perform this test. He called your decision, and I am quoting, horribly negligent.

RPTS CASWELL

DCMN HOFSTAD

[2:45 p.m.]

Ms. DeGette. So I want to ask you a question. Do you think, as CEO of this company, it was a mistake not to conduct the cement bond log test?

Mr. Hayward. That is what our investigation will determine. As I --

Ms. DeGette. So your answer would be, yes, it was a mistake, correct?

Mr. Hayward. I am not able to answer "yes" or "no" until the investigation is complete. When we finish --

Ms. DeGette. Have your lawyers told you not to or what?

Mr. Hayward. Simply because I wasn't involved. I am sorry.

Ms. DeGette. Okay. But you just said you think that all the evidence shows it was a mistake, correct?

Mr. Hayward. That is not correct. That is not what I said.

Ms. DeGette. Okay. Do you think it was all right not to conduct it?

Mr. Hayward. I think we need to complete the investigation --

Ms. DeGette. Okay. Well --

Mr. Hayward. -- and determine whether running a cement bond log or not would have created a major difference to what happened here.

Ms. DeGette. Okay. Let me ask you this: Are you aware of the fact that it would have cost about \$128,000 and taken 9 to 12 hours to complete the cement bond log test?

Mr. Hayward. I am aware of that fact, yes.

Ms. DeGette. Yes. Okay.

Okay, I yield back. Thank you, Mr. Chairman.

Mr. Stupak. Thank you.

Mr. Doyle for questions, please.

Mr. Doyle. Thank you, Mr. Chairman.

Mr. Hayward, in your testimony, you said that some of the best minds and the deepest expertise are being brought to bear on the oil spill and that it is difficult to imagine the gathering of a larger, more technically proficient team in one place in peacetime. Now, I know that is meant to reassure us that everything possible is being done, but it does make me wonder who was making these key decisions before the accident.

Now, one of these key decisions was which type of pipe to insert in the well, a single tube from the top or a two-piece liner with a tieback set-up. Now, the second design offers more barriers to unintended gas flow. And, on Tuesday, the other oil companies that we talked to told us they would have chosen that design.

Looking back, the decision that BP made appears to have had serious consequences. Mr. Hayward, were you involved in that decision?

Mr. Hayward. I was not involved in that decision.

Mr. Doyle. Were you aware of that decision?

Mr. Hayward. I was not involved or aware of any of the decisions around this well as it was being drilled.

Mr. Doyle. We asked your representatives, who are the senior BP executives who are responsible for the Macondo well. They told us it was Andy Inglis, the chief executive for exploration, and Doug Suttles, the chief operating officer for exploration.

Can you tell me, was Andy Inglis involved in this decision?

Mr. Hayward. I am afraid I can't answer that question. I genuinely don't know. I would be very surprised.

Mr. Doyle. What about Doug Suttles, was he involved in the decision?

Mr. Hayward. I would also be very surprised if Mr. Suttles was involved in any decision.

Mr. Doyle. So we have reviewed all of their e-mails and communications. We find no record that they knew anything about this decision. In fact, we find no evidence that they ever received briefings on the activities aboard the Deepwater Horizon before the explosion. These decisions all seem to have been delegated to much lower-ranking officials.

Well, Mr. Hayward, then, who was the one who made the decision to use a single tube of metal from the top of the well to the bottom? Who did make that decision?

Mr. Hayward. I am not sure exactly who made the decision.

It would have been a decision taken by the drilling organization in the Gulf of Mexico. They are the technical experts that have the technical knowledge and understanding to make decisions of that sort.

Mr. Doyle. But you can't tell this committee who that person was?

Mr. Hayward. I can't, sitting here today, I am afraid.

Mr. Doyle. You can get this information to our committee? I mean, I think it is pretty amazing that this is the decision that had enormous consequences and you can't even tell the committee who made the decision on behalf of your company.

And the reason I am asking you these questions is because your industry is different than many. You are not the CEO of a department store chain where it is fine to leave decisions about running the store to branch managers. You know, if a department store middle manager makes a mistake, there are no life-or-death consequences.

What you do is different. You are drilling far below sea level into a region that is more like outer space than anything else. The consequences of that drilling are huge. If a mistake or misjudgment is made, workers on the rig can get killed and an environmental catastrophe can be unleashed.

The best minds in the senior leadership of a company should be paying close attention to those risks. But it didn't happen here. And now we are all paying the consequences because those of

you at the top don't seem to have a clue about what was going on on this rig.

Now, I am sitting here thinking I could be a CEO of an oil company. I hear it pays a little bit better than being a Member of Congress. Because I have watched you in front of this committee; you are not able to give us much information on anything here.

I want to ask you one last question while I have some time. You told us that you are doing everything possible to stop this well from leaking, but it seems to me that what we are left with now is waiting for this relief well to be drilled. And that is going to happen sometime in August.

So, you know, today is June 17th. Now, back in 1979, the Ixtoc I took over 9 months to cap after drilling several relief wells. And that well was only 160 feet down into the ocean, while the Macondo well is over 5,000 feet below the surface of the ocean.

Can you tell us today, have you abandoned any other efforts to kill this well? Are we at the point now where BP is doing nothing until the relief well gets down there? Or are you trying some different technology or some other way to kill the well, you know, before you get a relief well down there? Is there anything else on the horizon?

Mr. Hayward. I am afraid there are no other options to kill this well other than from the well at the base of the reservoir.

As you are all aware, we tried to kill the well from the top, using the Top Kill operation, and the pressures in the well are such that it is not possible to do that. So we have to rely on the relief wells.

In the interim, we are continuing to contain as much of the oil we can. And that operation is currently containing 20,000 barrels a day. By the end of this month, we will have the ability to contain between 40,000 and 50,000 barrels a day and, by the middle of July, between 60,000 and 80,000 barrels a day.

Mr. Doyle. I will ask you the same question I asked other oil executives on Tuesday. Why wouldn't you just drill relief wells when you drill the main well, so that if something like this happened, instead of us waiting 2, 3 months and watching millions of barrels of oil come into the ocean, destroying our ecosystem and our way of life on the gulf coast, that you could kill that well in a short period of time?

I understand the extra relief well would cost you a little bit more money, but it seems to me, in this case, it would have saved you billions of dollars. What are your thoughts on drilling relief wells along with main wells?

Mr. Hayward. I think we will need to look at all of the options available to us going forward with respect to deepwater exploration.

Mr. Doyle. I see my time is up, Mr. Chairman. Thank you.

Mr. Stupak. Thank you, Mr. Doyle.

Ms. Schakowsky for questions, please.

Ms. Schakowsky. Thank you, Mr. Chairman.

I wanted to focus on the mindset of BP when it comes to its workers. You said in your opening statement that you were personally devastated, you attended a memorial service for those men. "It was a shattering moment. I want to offer my sincere condolences to their friends and families. I can only imagine their sorrow."

Probably not as devastated as the widows that testified before our committee. And I asked them: What about BP, what kind of contact have you had with BP since the incident -- letters, phone calls, visits? And Natalie Roshto said, "Two BP men attended James's services, and they never extended a hand, a hug, never extended a 'we're sorry,' their condolences. The only words that came out of their mouth was where they were to be seated, and I never saw them after that."

I asked, "What about you, Mrs. Kemp?" "Two BP men came to Wyatt's services, and one extended his hand. I shook it. He told me he was very sorry for my loss. He asked if he could hug me; he did. The other gentleman extended his hand, told me who he was. And they sent two plants to the service. And that is the extent of my conversation or any dealings with BP."

That's it. Do you feel that you owe something more to those women, just in terms of expressing something and some -- and more?

Mr. Hayward. As I said, I am devastated by the accident,

absolutely devastated. And I feel great sorrow for the people who have been impacted by it.

Ms. Schakowsky. Well, they haven't heard anything.

Mr. Hayward. The people who were killed in the accident were not BP employees. They were employees of Transocean and another contractor. And both of them made it very clear that they wanted to deal with the families. We have provided support to both Transocean and --

Ms. Schakowsky. I guess I was talking about human beings --

Mr. Hayward. And we have made it clear that we will provide all and every need for the families, but the --

Ms. Schakowsky. Okay, let me ask another question. There were BP personnel on the rig, and we read that oil workers from the rig were held in seclusion on the open water for up to 2 days after the April 20 explosion while attorneys attempted to convince them to sign legal documents stating that they were unharmed by the incident.

The men claimed that they were forbidden from having any contact with concerned loved ones during that time and were told that they would not be able to go home until they signed the documents they were presented with. After being awake for 50 harrowing hours, Stephen Davis caved in and signed the papers. He said most of the others did, as well.

Do you think this is an appropriate way to treat people that experience that? And since you are executives, you had people on

the rig, what was their feeling about that, what is your feeling about that?

Mr. Hayward. I think it is inappropriate, and it was nothing to do with BP.

Ms. Schakowsky. I see. And BP had no comment on it and had no opportunity -- I mean, did the company know about it? Was there any --

Mr. Hayward. I don't believe we were aware it was taking place, but it was certainly nothing to do with BP.

Ms. Schakowsky. Okay. Well, I did mention during my opening statement this document that basically says, "Such voluntary effort shall be at my own risk," that people were made to sign. And there were two court appearances that were needed to finally get BP to take responsibility.

But what I understand is that BP continued to fail to provide adequate protective gear to the fishermen. And on May 16th, OSHA issued a detailed directive on the training requirement for specific tasks to responders and stated that OSHA had officials monitoring the training and observing the cleanup.

But, according to testimony we heard in Louisiana, still, BP failed to provide respirators to the workers exposed to the crude oil, and the workers experienced health impacts. The workers were afraid to speak up due to the potential to lose their jobs. Those fishermen who attempted to wear respirators while working were threatened to be fired by BP due to the workers using the

respirators.

Do you know anything about that?

Mr. Hayward. I am not aware of that. What we clearly are endeavoring to do is to ensure that anyone involved in the response is appropriately provided with whatever safety equipment is required.

Ms. Schakowsky. Endeavoring to provide?

Mr. Hayward. Well, we --

Ms. Schakowsky. Are the workers currently provided with what they need?

Mr. Hayward. Absolutely. In every case, we are trying to make certain that people do not put --

Ms. Schakowsky. You are trying to make certain, but is all the equipment there and are all these workers protected?

Mr. Hayward. To my knowledge, yes.

Ms. Schakowsky. Thank you.

I yield back.

Mr. Stupak. Thank you.

We will next turn to Mr. Ross for questions, please.

Mr. Ross. Thank you, Mr. Chairman.

And, Mr. Hayward, since my opening statement, up to 416,666 gallons of oil have leaked into the gulf. That was about 4 hours ago.

In our opening statement 4 hours ago, I asked you to be open with us and honest with us in your responses. And, instead, it

seems as though we are getting statements memorized by you and provided by your legal counsel.

I don't know if BP quite understands how angry the American people and the world is at them. I can tell you it is rare that you see Democrats and Republicans on this panel agreeing with one another, and yet it has been pretty consistent today, with a few major exceptions, the level of discontent and anger and frustration at BP.

I also watch this on the news, and it seems to me that BP has not been honest with the American people, it has not been honest with our government, and it seems as though you are trying to hide something.

Sir, it is hard to hide 2.5 million gallons of oil a day pouring into the gulf. We want answers. We want you to be honest and open with us. And we want to finally see the kind of transparency that you have been talking about.

I have a few questions for you.

BP is currently in the process of drilling two relief wells to stop the flow of oil that may or may not work, which you have said will be finished by August.

After these relief wells are finished and the leak has been stopped, what does BP plan to do with these wells? Do you plan to put these wells into production to make a profit off of them, or do you plan to shut them down after the situation has been resolved?

Mr. Hayward. They will be shut down after the situation has been resolved. The first relief well, we will pump mud down the relief well to kill the well, to kill the current well that is flowing, and then cement it up.

Mr. Ross. A recent article in the New York Times reported that the cleanup effort thus far has created over 250 tons of solid waste and 175,000 gallons of liquid waste that are now being carted away from the gulf coast and shipped off to landfills.

BP executives have stated that had this waste, which is admittedly hazardous and destructive to our ocean environment, is perfectly safe to dump in our Nation's landfills. You have polluted our coast and our air with this tragic spill, and now you are shipping the waste you collect and dumping it near our homes and our water sources.

I want to know where this waste is going. And are you shipping it throughout the country? How can we be sure it has been treated and is safe?

Mr. Hayward. I don't know the details of that, but I can assure you that we will do the right thing to ensure that it is treated in the proper and appropriate way.

Mr. Ross. Can you provide me and this committee with a response?

Mr. Hayward. We certainly can.

Mr. Ross. Let me try this, in the time I have left. This has been asked several times, and I don't think we have gotten an

answer yet.

We all know about the e-mails from BP employees expressing their concerns about the casing procedures, including an April 15th e-mail from your drilling engineer, Brian Morel, who described the well as, quote, "a nightmare well."

How much were the drilling engineers consulted in the decision to use the single string casing? Was this a bottom-up decision in which the people actually connected to drilling the operation had some influence, or did it come from the top down?

Mr. Hayward. As I understand it from the discussion with our investigation team and from the review of the documents, there was a discussion taking place amongst the drilling engineering team responsible for this well. And that is how the decision and the judgments were taken.

Mr. Ross. So would you call that a bottom-up decision or a top-down decision?

Mr. Hayward. I would say it was a decision taken by the right experts with the right technical knowledge to make the decision.

Mr. Ross. In your testimony, you note that you are currently drilling two relief wells which will ultimately stem the flow of oil.

In previous testimony from BP and Transocean, we have heard that there are numerous redundancies built into all of your equipment and in all of your personnel procedures to ensure that

your company does the very best it can to ensure that tragedies like the one we have seen unfold over the past 59 days don't occur.

My question is this: Do you view these relief wells as an on-off switch? When these wells are complete, are they going to stop the flow of oil into our ocean? If so, why didn't you predrill emergency relief wells prior to this whole mess? It has been asked before; we are still waiting for a good answer.

Did you do cost-benefit analysis and determine that it was cheaper to drill one well, spend years rolling in profits from the oil you managed to capture, and then potentially pay a massive sum to clean up an inevitable tragedy? Which was it, sir?

Mr. Hayward. We believed that the blowout preventer was the ultimate fail-safe mechanism. That clearly was not the case in this instance.

It failed on three separate indications: It failed when it was activated on the drilling rig at the time of the incident. It failed to operate when the drilling rig separated from the blowout preventer, as it should have done. And it failed to activate when we had submersible robots at the blowout preventer within 24 hours of the incident.

That was the fail-safe mechanism.

Mr. Ross. Mr. Chairman, I see I am out of time.

Mr. Stupak. Thank you, Mr. Ross.

Mrs. Christensen for questions.

Dr. Christensen. Thank you, Mr. Chairman.

Mr. Hayward, you have pledged \$20 billion for a trust fund, which I see is a commitment to meet BP's obligation -- and not a slush fund, just for the record.

My question is, are health payments such as for any illnesses that residents or workers may develop as a result of the spill covered in your statement to cover all legitimate claims? And what about Federal and local government outlays of health and other personnel, are they covered under that?

Mr. Hayward. Claims of that sort are covered under the fund.

Dr. Christensen. Thank you.

Several individuals and organizations have called for more people and more expertise to assist in fighting what is increasingly being called a war. General Honore calls it World War III and calls for it to be fought as such.

What is not part of the effort that needs to be? What is missing? And do you feel that you need more hands, more people to effectively fight this so-called war and prevent the oil from creating any more damage?

Mr. Hayward. We have been fighting a battle on three fronts since the very beginning: to eliminate the leak, to contain the oil on the surface, and to defend the shore.

And it is now the task now of the incident commander, the national incident commander, Thad Allen, to determine what further resources are required. It is a conversation that he and I have

on a regular basis, to try and ensure that we have the right resources in the right place at the right time to deal with the incident.

Dr. Christensen. So, as of your last conversation with Admiral Allen, the sense was that you had all that you needed and all of the people that you needed?

Mr. Hayward. We are continuing to work the issue of defending the shore, to try and mitigate to the maximum extent possible the amount of oil that comes onshore. That is where we can still do more to defend the beaches.

Dr. Christensen. Okay. Thank you for your answer.

You state in your testimony that the events of 4/20 were not foreseen by you. But in light of the several areas of concern that have been raised, shouldn't someone have foreseen and been able to prevent the explosion?

For example, I understand that there is supposed to be a policy where any one person on a rig can shut it down if they perceive a problem. Is this a real policy that is enforced and reinforced in training, or is it something just on paper? Because that didn't seem to happen in this instance, even though some Transocean, some Halliburton, and even BP employees reportedly had serious concerns.

Mr. Hayward. It is a policy that is real. And if anyone at any time believes that what they are doing is unsafe, they have both the right and the obligation to stop the task.

Dr. Christensen. And you surprised that no one, given what we are hearing -- and I know the investigation is not complete -- that no one made that decision to shut the rig down?

Mr. Hayward. I think, in the light of what we now know, it is of course surprising that someone didn't say that they were concerned. And I think that is to the heart of the investigation, to understand exactly what the events were and why there was not a different decision taken with respect to the event, particularly in the last 5 or 6 hours on the day of the incident.

Dr. Christensen. There was a company that was supposed to do the -- I think it was Schlumberger, that was on the rig at the time and left. Now, when we were in New Orleans, we were told in the hearing that they left because of concern for safety, but other reports said that they left because they were told they weren't needed. What is, in your analysis, the correct reason?

Mr. Hayward. I believe it is clear that they left the rig because they had completed the task, or the task that they had anticipated to do was not required.

Dr. Christensen. Okay. So, as far as you know, it was not that they felt unsafe, as we were told in New Orleans?

Mr. Hayward. It was nothing to do, I don't believe on the basis of anything that I have seen, that it was anything to do with safety.

Dr. Christensen. Okay. My last question: In your testimony, you say, and I am quoting, "BP is a responsible party

under the Oil Pollution Act," and you distinguish that terminology from any implication of legal liability, which is still being investigated.

When you say "a," do you think that you are the sole responsible party? Or might there be others? And, if so, who?

Mr. Hayward. The government has named four responsible parties. They are BP, Transocean, Mitsui, and Anadarko. They have all been named as responsible parties in this incident.

Dr. Christensen. The last two were?

Mr. Hayward. Mitsui, Anadarko, Transocean, and BP.

Dr. Christensen. Thank you.

Thank you, Mr. Chairman. My time is up.

Mr. Stupak. Thank you, Mrs. Christensen.

Next for questions would be Mr. Welch. He is not here.

Next would be Mr. Green for questions, please.

Mr. Green. Thank you, Mr. Chairman.

Mr. Hayward, the day before yesterday, Mr. Tillerson from ExxonMobil testified Tuesday that, in the aftermath of the Exxon Valdez accident, ExxonMobil launched a full-scale, top-to-bottom review of their operations and implementing far-reaching actions that today guide every operation decision they make on a daily basis.

Have there been any specific reforms that BP has implemented following the Alaska pipeline accident and the Texas City refinery disaster?

Mr. Hayward. We have implemented major, major change following the incidents in 2006 and 2007. We have implemented changes to our people, in terms of the skills and capabilities we have. We have implemented changes to the training that they get and the expertise that they develop. And we have implemented significant changes to all of our operating practices, including the implementation of an operating management system that covers all of the company's operations. It has been a root-and-branch review, from top to bottom.

Mr. Green. I guess my concern is, having followed both the Alaskan pipeline and the Texas City refinery disaster, those reforms haven't worked.

What will be done differently this time? In the last almost 60 days, has there been some discussion on why the reforms from the Texas City and the pipeline, the Alaska pipeline, hasn't worked?

And, again, you know the information our committee has. You received a letter 2 days ago on some of the decisions that were made literally on the rig by BP's representatives.

What, going forward from here, will we know 5 years from now that we won't have to repeat what we are doing this time?

Mr. Hayward. That is why I am so determined to get to the bottom of this incident, such that we can learn from it and make changes to ensure that it doesn't happen again.

Mr. Green. What has happened with your drilling procedures

internationally? I know there are different standards for different companies. Our committee heard testimony from the executive a few days ago that, typically, Norway and the Scandinavian countries have the toughest offshore drilling. I know BP is active in Norway.

Is there a significant difference on what you do in the Gulf of Mexico as compared to what you do off the coast of Norway or even off the coast at Edinburgh or off the coast of Great Britain?

Mr. Hayward. We approach with the same standards globally. And the truth is that the rules and regulations, as I understand it, in the Gulf of Mexico are higher than they are, for example, in the North Sea and the U.K. sector, in terms of the requirements.

So we will continue to learn from this incident and make changes to ensure that it cannot happen again. And it will be global.

Mr. Green. Okay.

Thank you, Mr. Chairman.

Mr. Stupak. Thank you, Mr. Green. Do you yield back?

Mr. Green. Yes.

Mr. Stupak. Mr. Green yields back.

I next turn to Mr. Barton, ranking member, for questions, please.

Mr. Barton. I thank you, Chairman Stupak. I appreciate the opportunity to ask some questions.

Mr. Hayward, yesterday when we had a hearing in a different subcommittee of this full committee, we had four CEOs of other oil companies. I think to a person -- and I could be wrong about this -- but I think they all indicated that they either would not have drilled this well or at least would not have drilled it the way BP drilled it.

What is your response to that?

Mr. Hayward. I want to understand exactly what happened through our investigation, to compare it with other practices, to determine what is the truth. And I can't comment today on that.

Mr. Barton. All right.

I have had off-camera discussions with a number of experts in the drilling processes for the deep Gulf of Mexico, and they all say that BP has a different culture. For example, in most of the other companies that operate in the deep gulf, there are a number of individuals on site that have what is called stop-order authority. In other words, if they see something that is going on that compromises safety or integrity, they have the ability to stop production. But I am told that BP doesn't give that authority, that it is further up the chain of command.

Is that correct? And, if so, is that something that BP may consider changing, given what has happened?

Mr. Hayward. On a drilling operation such as this, anyone can stop it -- the BP man, the Transocean driller, the Transocean tool pusher, the OIM, or the BP on-site leader. It requires

everyone to agree to continue, and if there is one person who does not agree, then they do not anyone.

Mr. Barton. So when I am told that the BP culture in terms of this authority is different, I have been told incorrectly?

Mr. Hayward. I believe that is so, Congressman.

Mr. Barton. Okay.

In terms of the two relief drills that are currently being drilled, are they being drilled using the same procedures as this well, or are they being drilled differently? In other words, some of the things that weren't used on this well -- the double casing, things of this sort -- are those relief wells going to use these enhanced safety procedures?

Mr. Hayward. There are clearly some areas of concern, as we have identified in our investigation -- cement casing. And the relief wells are being drilled with all of those issues absolutely foremost in the procedure.

Now, clearly, the relief wells are rather different because of what they have to do. But all of the things that we have learnt, to date, from our investigation have absolutely been incorporated into the activity that is taking place with respect to the relief wells.

Mr. Barton. Okay.

Have you either read or been at least given a summary of the letter that Chairman Waxman and Chairman Stupak sent earlier in the week that lists the five or six outstanding -- or what they

consider, what the staffs consider to be the anomalies in this well and the safety concerns? Are you familiar with letter?

Mr. Hayward. I am familiar with that letter.

Mr. Barton. Okay. Do you agree in general with the concerns that are raised there about the lack of, for lack of a better term, a safety collar being employed, the number of devices that could have stopped the oil and gas venting and escaping up the well? Somebody recommended, I think, 21 or 22, and BP made a decision to only use six.

Now that you know what has happened, do you share some of the concerns that that letter raises?

Mr. Hayward. I think I share the concern about the number of contributing factors that may have -- that have created this incident. They are focused on the cement, on the casing, on the integrity test, on the well control procedures, and on the complete failure of the blowout preventer.

And they are all areas that I believe we really need to understand fully before we draw conclusions about how this accident occurred.

Mr. Barton. My final question is, based on what you now know, do you agree with the general conclusion expressed yesterday that this was a preventable accident?

Mr. Hayward. I believe that all accidents are preventable, absolutely.

Mr. Barton. Okay.

Finally, Mr. Chairman, if I may take a small point of personal privilege, I want the record to be absolutely clear that I think BP is responsible for this accident, should be held responsible, and should in every way do everything possible to make good on the consequences that have resulted from this accident.

And if anything I said this morning has been misconstrued in opposite effect, I want to apologize for that misconstruction.

With that, Mr. Chairman, I yield back.

Mr. Stupak. Thank you, Mr. Barton.

Ms. Sutton for questions.

Ms. Sutton. Thank you, Mr. Chairman.

Mr. Hayward, this testimony has been fascinating.

We have heard a lot about your desire to come in and improve the safety of operations everywhere in the world, something to that effect. And you listed another top priority: to conduct BP's business in a way that is in tune with the world without damaging the environment.

Would you agree that BP did not meet those goals on the Deepwater Horizon rig?

Mr. Hayward. I think it is clear that I regret, BP regrets what has happened here deeply.

Ms. Sutton. So, obviously, BP did not meet those goals on the Deepwater Horizon rig. But, Mr. Hayward, the concern beyond that is there seems to be little evidence about how hard BP tried

to meet that goal.

The committee's investigation of the Deepwater Horizon disaster identified five key decisions -- we have talked about it over and over again in this hearing -- made by BP officials in the days before the explosion. Those decisions had two common denominators: They saved time and cut costs, and they each increased risk.

Now, I have heard you say over and over again in the course of today's hearings that there is nothing that I have seen in evidence so far that BP put costs ahead of safety. And I have to tell you how detached that seems. Because we have also talked about some of the documents that the committee has unearthed, and document after document that indicated that BP officials in charge of the Deepwater Horizon were focused on saving time and money -- for example, the document that says that the well design was chosen because it would save \$7 million to \$10 million.

You are familiar with that document, correct?

Mr. Hayward. I am familiar with that document.

Ms. Sutton. Okay. And another one says that the reason for not using sufficient centralizers is because it would take 10 hours to install them. You are familiar with that document?

Mr. Hayward. Yes, I am familiar with that document.

Ms. Sutton. Okay. And you indicated that you weren't familiar with any of this happening before the explosion; you only learned about it afterwards, right, as the CEO of this company?

Mr. Hayward. I wasn't familiar with any of the decisions or any of the documents surrounding this well prior or during the drilling of the well.

Ms. Sutton. Okay. And what is fascinating also is that, when you were asked about how these decisions are made within the structure of your organization, you referenced this from a perspective of, "As I understand it from our investigation, this is how these decisions are made." But you are the leader of the company. You couldn't even tell us if they were top-down or bottom-up decisions. You were just referencing them based on an after-the-fact investigation.

So when we talk about these documents, the documents I just referenced -- the one that says the well design was chosen because it would save \$7 million to \$10 million and the other one that says that the reason for not using sufficient centralizers is because it would take 10 hours to install them -- none of these documents makes a decision to ensure a safe environment on the rig or protect the environment from a catastrophic oil spill.

Would you say that that is true, that that doesn't indicate a decision being made based on ensuring a safe environment or protecting the environment?

Mr. Hayward. I don't think it is possible to say that, based on the documents, out of context.

Ms. Sutton. And, see, that is why I think there is a real detachment here, a real disconnect, as we have heard that word

used earlier today. It seems to me there was a disconnect prior to the explosion, and there remains a disconnect when viewing evidence that is very clear and being presented.

This was a tragic failure. You have talked about your commitment to safety and the environment, but when push came to shove on the Deepwater Horizon, the company's concern seemed to be the bottom line.

And I guess this is my question to you, Mr. Hayward: Who was responsible for the failures on the Deepwater Horizon and the terrible set of decisions that led to the tragedy in the gulf?

Mr. Hayward. That is what our investigation will determine, and that is what it is going to do. And if there is, at any point, evidence to suggest that people put costs ahead of safety, then I will take action.

Ms. Sutton. So, evidence like those documents?

Mr. Hayward. The evidence from the totality of the investigation.

Ms. Sutton. Okay.

Mr. Hayward, as the leader of the company, don't you have to accept the responsibility?

You talked about the importance of safety and the environment, but you presided over a corporate culture where safety and risks and risks to the environment were ignored in order to save a few days and a few dollars in drilling costs.

If you are the leader of the company, don't you have to take

responsibility?

Mr. Hayward. I am absolutely responsible for the safety and reliable operations in BP. That is what I have said all along.

Ms. Sutton. Thank you, Mr. Chairman. I yield back.

Mr. Stupak. Thank you, Ms. Sutton.

Mr. Welch for questions, please.

Mr. Welch. Thank you, Mr. Chairman.

Mr. Hayward, is it true that, in 2005, the Texas City operation owned by BP blew up, resulting in the loss of lives of 15 workers?

Mr. Hayward. That is true.

Mr. Welch. And is it true that, in 2006, a BP oil pipeline in Alaska ruptured and spilled 200,000 gallons of crude oil?

Mr. Hayward. That is true.

Mr. Welch. And is it true that, in 2007, when you took over as CEO of BP, the corporation settled a series of criminal, not civil, criminal charges and agreed to pay \$370 million in fines?

Mr. Hayward. That is correct.

Mr. Welch. And is it also true that, in 1 year, the Occupational Safety and Health Administration, OSHA, found more than 700 violations at BP's Texas City refinery and fined BP what was then a record fine of \$87.4 million? Is that true?

Mr. Hayward. That is correct.

Mr. Welch. And is it true that, earlier this year, a BP refinery in Toledo, Ohio, was fined \$3 million for willful -- and

I emphasize the term in the finding, "willful" -- safety violations, including the use of valves similar to those that contributed to the Texas City blast?

Mr. Hayward. That is correct.

Mr. Welch. And is it true, as well, that the U.S. Chemical Safety Board, which did investigation into the Texas City refinery, was headed, with the active participation of former Secretary of State James Baker -- are you familiar with that report?

Mr. Hayward. I am very familiar with that report.

Mr. Welch. And in that report -- which you, I take it, regard as credible?

Mr. Hayward. I believe it is very credible, and it is the basis on which we moved forward in 2007.

Mr. Welch. And that report, and I quote, found that "BP management allowed operators and supervisors to alter, to edit, to add, and to remove procedural steps at the Texas City refinery without assessing risk."

And the Baker panel examined all of BP's U.S. refineries and found "a toleration of serious deviations from safe operating practices."

Is that an accurate statement of the findings of Mr. Baker's report?

Mr. Hayward. It is an accurate finding. And based on the findings of that report and the instances of 2005 and 2006 --

Mr. Welch. And in the case --

Mr. Hayward. -- we implemented a systematic change in how we manage safety and a systematic change in the culture of BP.

Mr. Welch. Well, let me ask you --

Mr. Hayward. That is something we have done consistently over the last 3 years.

Mr. Welch. Well, did that systematic change that you say you implemented as a result of the Baker report account for the reason that, at Deepwater Horizon, when faced with the choice of a cheaper and quicker casing design or a safer design, BP chose the cheaper and quicker casing design? Did you do that on the basis of the recommendations of the Baker report?

Mr. Hayward. As I have said, we need to wait for the results of the investigation to conclude. If there is any evidence whatsoever that people put costs ahead of safety in this incident, then we will take action.

Mr. Welch. Well, I am not going to ask you what their reason was. What I am going to ask you -- and, in fact, it is not in dispute, that the choice was made to use a cheaper and quicker casing design rather than a more expensive design.

And I will ask you again: There were fewer casing centralizers than some folks were recommending. Is that -- I will leave out motivation, but there was a choice of more casing centralizers or fewer casing centralizers. More cost more; fewer cost less. Which choice did BP make at Deepwater Horizon?

Mr. Hayward. The decision taken by the engineering team at the time, which was a technical judgment, was to use fewer centralizers rather than more. It is not always true that more is better.

Mr. Welch. And BP chose at Deepwater Horizon not to circulate drilling mud that would have cleaned out the well. It chose a lighter saltwater base for the cementing procedure. Is that correct?

Mr. Hayward. The procedure to displace the mud was a procedure that is not uncommon in the industry. It was a procedure that was approved by the MMS prior to implementing it.

Mr. Welch. Are you saying you made the right choice in this case?

Mr. Hayward. I am not able to make a judgment as to whether the right choices were made.

Mr. Welch. Well, you are the CEO.

Mr. Hayward. But I am not, with respect, Congressman, a drilling engineer or a technically qualified engineer in these matters.

Mr. Welch. But you are in charge of them.

Mr. Hayward. That doesn't mean to say I am an expert.

Mr. Welch. Well, I mean, you know, one of the frustrations that I think folks have is, who is in charge? And there was a Baker report that said there was a systematic choice being made consistently by BP that led to the loss of life, that led to

pollution, that could be attributed to a decision based on saving money, increasing profits, at the expense of safety and, as it turns out, unfortunately, human lives.

You know, I am going to get back to what I asked you earlier. I think all of us live in a world where we would prefer to have fewer regulations rather than more. We would like to rely on trust and faith and our word, rather than regulations and checking over your shoulder and all those things that I think both sides find annoying.

But I am going to ask you the question: Does a CEO who has presided over a company that has incurred over \$370 million in fines, whose company was subject to this report by Mr. Baker, indicating a choice at the expense of safety, does that person who has presided over almost \$100 billion in loss of shareholder value, in the suspension of a \$10 billion annual dividend, who has lost the confidence of shareholders and regulators and, most importantly, the families and citizens of the gulf, does that person enjoy the confidence necessary to continue acting as CEO? Or is it time for that CEO to resign?

Mr. Hayward. I am focused on the response. I am focused on trying to eliminate the leak, trying to contain the oil on the surface and defend the beaches and to clean up the spill and to restore the lives of the people on the gulf coast. That is what I intend to do.

Mr. Welch. Okay. I yield back, Mr. Chairman.

Mr. Stupak. That concludes questions by members of the subcommittee. As I indicated earlier, members of the full committee will have an opportunity to ask questions if they so choose. So we will alternate, and, as I indicated earlier, it will be based upon committee seniority.

So, Mr. Stearns, you would be next, first on the Republican side, for questions for 5 minutes, please.

Mr. Stearns. Thank you, Mr. Stupak, and thank you for allowing me to ask these questions.

Mr. Hayward, I have watched this hearing, and time and time again you have indicated this -- you have responded with this statement: "I can't give you a legitimate answer to that question." You have said it over and over again. They have asked you for details; you didn't know.

Did you bring anybody with you who has the detailed information that could help you answer a lot of these questions? Is there anybody else who can help?

Mr. Hayward. I have a technical expert with me.

Mr. Stearns. Because I don't see you go back to that technical expert, and you just continue to say, "I just can't answer that question."

So my question for you today: Is today Thursday, yes or no?

Mr. Hayward. It is Thursday.

Mr. Stearns. Okay.

Next question. The people of Florida, when I talk to them

and they say there is oil spilling on the coast, would it be appropriate to say that is because of BP's reckless behavior, yes or no?

Mr. Hayward. It is a consequence of a big accident.

Mr. Stearns. No, yes or no? Reckless behavior or not?

Mr. Hayward. There is no evidence of reckless behavior.

Mr. Stearns. So you are standing here, you are saying here today that BP had no reckless behavior. That is your position, yes?

Mr. Hayward. There is no evidence of reckless behavior.

Mr. Stearns. No. Yes or no? You are saying BP has had no reckless behavior, is what you are saying to us.

Mr. Hayward. I have seen no evidence of reckless behavior.

Mr. Stearns. Okay. So you are on record saying there has been no reckless behavior.

We had a hearing. Mr. McKay was here. We had the CEOs of Exxon, Chevron, ConocoPhillips, and Shell. We asked them the question, knowing what we know today about the inconsistent well pressure test readings, would you have proceeded with withdrawing the drilling fluid from the well? Every one of them said no.

Then the next question was asked to them about safety measures. Are there safety measures that your company could have taken to prevent this incident? Every one of them said yes.

So you are here this morning saying your company had no reckless behavior, yet all your peers, the CEOs of Exxon, Chevron,

ConocoPhillips, and Shell, all pointed out your reckless behavior.

Later on, Halliburton warned your company that the well could have a severe gas flow problem. Were you aware of Halliburton's warning, yes or no?

Mr. Hayward. I was not involved in any of the decisions around this time.

Mr. Stearns. No, I don't want to hear that. I mean, this is the same thing you have been saying all day. What I want to know is, you, in your position -- has anyone on your staff briefed you about Halliburton warning your company, we could have a severe gas flow problem? Were you ever notified or briefed on this? Yes or no?

Mr. Hayward. No, prior to the incident.

Mr. Stearns. So you are up at this top echelon and you didn't hear -- did you hear about the e-mails that occurred?

Later that day, a BP official involved in the decision, who recognized the risks of proceeding with insufficient centralizers, threw caution to the wind in an e-mail just 4 days -- 4 days -- before the disaster, stating, "Who cares, it's done, end of story, will probably be fine." Did you know about that e-mail?

Mr. Hayward. I had no prior knowledge of this well prior to the incident whatsoever.

Mr. Stearns. In light of what your four peers have said, dealing with safety, dealing with the precautions with the pressure test reading, and dealing with Halliburton, don't you

think there is reckless behavior indication? If what I told you is true, do you think BP has reckless behavior?

Mr. Hayward. I believe all accidents are preventable. The investigation will determine how this accident has occurred --

Mr. Stearns. Okay. So you are saying, right now, based upon all the information I gave you, you do not think BP had any reckless behavior. That is your position this afternoon. Is that correct, yes or no?

Mr. Hayward. That is -- I have seen no --

Mr. Stearns. I want you to say that you don't think BP has reckless behavior.

Mr. Hayward. I have seen no evidence of reckless behavior.

Mr. Stearns. Okay. All right.

Now, let's say you were on a ship and you ran into New Orleans and you spewed all this oil and you killed 11 people. Do you think the captain of that ship should be fired?

Has anyone in BP been fired because of this incident? Anybody? Yes or no?

Mr. Hayward. No, so far.

Mr. Stearns. No people have been fired.

So, you are captain of the ship, runs into New Orleans, spews all this oil. There is all this damage from Alabama to Mississippi, Florida, Louisiana. And no one has been fired?

Mr. Hayward. Our investigation is ongoing.

Mr. Stearns. So let's say the investigation goes for 3

years. Does that mean you wouldn't fire anybody?

Mr. Hayward. As the investigation draws conclusions, we will take the necessary action.

Mr. Stearns. Okay. So, in light of all the environmental damage, the human damage, and just the information from your peers saying that you were indeed reckless, and these e-mails I have told you, you still are going to stonewall us this morning, this afternoon. And you are saying basically, we did nothing wrong and we are going to wait until the evidence to prove whether we did wrong or right; is that correct?

Mr. Hayward. I believe we should await for the conclusions of the various investigations before we make decisions based on those conclusions.

Mr. Stearns. Well, Mr. Chairman, he did answer that today is Thursday.

Mr. Braley. [Presiding.] The chair now recognizes the gentleman from New York, Mr. Engel, for 5 minutes.

Mr. Engel. Thank you very much, Mr. Chairman.

Mr. Hayward, I am going to attempt to ask some of the questions that my other colleagues have asked but really haven't been answered.

Now, on Tuesday, we had the leaders of ExxonMobil, Chevron, Shell, and ConocoPhillips. They all insisted at the hearing on Tuesday that they would not have made the mistakes that led to the well explosion.

Are they lying to us, or are you lying to us by telling us that you don't know who is responsible and don't know whether or not BP did something wrong? They are all saying BP did something wrong.

Mr. Hayward. I believe we need to await the results of the multiple investigations before we draw conclusions.

Mr. Engel. Well, it is --

Mr. Hayward. I want to get to the bottom of this more than anyone. I want to learn the lessons, and I want to ensure that we can learn the lessons and that the industry can learn the lessons.

Mr. Engel. Well, I don't understand. It is 61 days, it is 2 months. I mean, what kind of an investigation are you going to conduct? Why, in 2 months, with all this oil spilling into the gulf, do we not have at least a preliminary investigation?

Mr. Hayward. We are conducting a full and comprehensive investigation. It involves a team of more than 50 people. We have shared the results of that investigation, as they become available, with this committee. And we will continue to do that.

Mr. Engel. Well, Mr. Hayward, perhaps your lawyers have told you to be really cautious, but it is really an insult for you to come to this committee and keep repeating the same thing, evade questions, evade answers, and just repeat again and again that you were not responsible and that we have to wait for an investigation.

Why didn't you come testify to this committee after the

investigation if you are not prepared to tell us anything of knowledge now?

Mr. Hayward. With respect, Congressman, I wasn't party to any of the decision-making around this well in the time it was being drilled. And, therefore, I am not in a position to make a judgment about whether the decisions taken were the right ones or the wrong ones.

Mr. Engel. Well, but we have all made a judgment because it is 60 days and oil is spilling into the gulf. So, obviously, decisions were made that were wrong.

Can't you just admit that? Can't you just say, "I am sorry"? Can't you just admit that decisions were made that were wrong, instead of sitting there and telling us you don't know and you have to wait an investigation?

Mr. Hayward. I am very, very sorry that this accident occurred, very sorry. I deeply regret it. I deeply regret it for very many reasons. And I do believe that it is right to investigate it fully and draw the right conclusions.

Mr. Engel. What needs to be investigated? What needs to be investigated that has not been investigated up till now? And how long will it take you?

Mr. Hayward. I can't answer how long it will take because we want to make certain it is complete. But there are clearly --

Mr. Engel. Well --

Mr. Hayward. -- many investigations -- excuse me, sorry.

There are many investigations ongoing. There is our investigation, there is a Marine Board investigation, and a Presidential commission. And they will undoubtedly draw important conclusions for all of them.

Mr. Engel. But you are the CEO. Shouldn't you not set the tone for the investigation? Shouldn't you not say, "I demand that within a month we are going to know what happened"?

I mean, you are really insulting our intelligence, with all due respect, by not giving us any answers and telling us that you have to wait for some investigation. I think the rest of the world isn't blind. We know what has happened, and we know that BP obviously didn't do what it was supposed to do. Only you don't know that.

Mr. Hayward. I believe I have set the right tone. We launched the investigation within 24 hours. We have made it open and transparent. And we are sharing with everyone the results as they come out.

Mr. Engel. Well, let me ask you this: How many other wells has BP in the gulf?

Mr. Hayward. I don't know the precise number, but it is a large number.

Mr. Engel. Give me a ballpark figure.

Mr. Hayward. In the area of hundreds.

Mr. Engel. Okay. How can we be assured that the same thing won't happen with one of the other wells? How can you give us

assurances that what happened with this well won't happen again to several hundred wells?

Mr. Hayward. The other wells that I am referring to have all been drilled and completed and are secure.

Mr. Engel. So you are saying, then, all the other wells that BP has, that something that happened to this well could never happen again in any of those other wells?

Mr. Hayward. All of the other wells that I am referring to are wells that have been completed and are secure.

Mr. Engel. So is that the same assurance that you had said that you were going to, with a laser, make safety a priority? Is this the same kind of assurance that you are giving us now?

Mr. Hayward. I have, throughout my tenure, been very explicit about the priority of safety in BP. It is the first word I utter every time I talk to any group of people in BP, the fact that safe and reliable operations is our number-one priority.

And we have made very significant changes to our processes, to our people, and invested very significantly into the integrity of our plants and equipment over the last 3 or 4 years.

RPTS KESTERSON

DCMN HERZFELD

[3:42 p.m.]

Mr. Engel. Mr. Hayward, let me just say with all due respect, I, like everyone else here and everyone else in America, is thoroughly disgusted. I think you're stalling. I think you're insulting our intelligence. And I really resent it.

Mr. Chairman, I yield back.

Mr. Stupak. [Presiding.] A member of the full committee Mr. Scalise for questions, please. Five minutes.

Mr. Scalise. Thank you, Mr. Chairman. I appreciate you letting me participate in this.

Mr. Hayward, this is a picture of an oiled pelican. This is our State bird in Louisiana. I'm going to keep this on my desk as long as we are battling this as a constant reminder of what is at stake. But I want you to keep this in your mind as well to recognize that we are not just talking about the loss of life, which is tragic, we are not just talking about the oil that is still spewing out of that well. We are talking about our way of life not just in Louisiana, but all along the Gulf Coast that is at stake. I would hope you keep this image in your mind as a constant reminder of what is at stake and what we are battling on a daily basis.

Our two priorities right now are, number one, doing everything we can to make sure you all cap this well, but also to

battle as strongly as we can to keep the oil out of our marsh and our ecosystem. We don't want to sit back and wait until the oil comes in and does possibly irreparable damage. We want to be proactive. But we are having problems on the ground being proactive because of the delays.

I still hear -- I was on Grand Isle Friday. I hear the biggest complaints from our local officials that they are spending more of their time fighting BP and the Federal Government than they are fighting the oil. This is unacceptable. And I know you talk about all the things that you all are doing, but it is not enough. We need a more urgent sense of response to this disaster. And I want to ask you what you are going to do to help speed that up.

When our local officials tell us when they have basic questions they need answers to, it takes at least 5 days. They first go to the Coast Guard, then they are sent to BP to get approval, and then they go around in circles and they are told they are going to get answers, and they never get those answers. This is just not an acceptable way to run this operation. And so when we hear who is in charge -- I want to ask you, who is in charge on the ground?

Mr. Hayward. The National Incident Commander is the person in charge of this operation.

Mr. Scalise. So is the Federal Government telling you what to do? Are you telling the Incident Commander what to do? When

our local officials say we need something approved, do they need to get the Incident Commander and your approval? Because they are getting runaround in circles right now.

Mr. Hayward. We are trying, sir. We are not being perfect, I acknowledge. We are trying very hard to do better. We are operating under the direction of the Federal Government.

Mr. Scalise. Let me give you an example. When our government came with an idea -- and this was over a month ago now. He had an idea, Governor Jindal working with the local leaders, to have this sand barrier plan. They laid it out. They actually made some changes. They worked with scientists and with engineers. And then over 3 weeks went by before any approval.

Now, we contacted -- our entire delegation signed a letter; we tried to get the President engaged in breaking this logjam. Still to this day, only 25 percent of that plan has been approved. Now, is that you that is not approving the other 75 percent? Is that the Federal Government that is not approving it? Who is not approving the other 75 percent? Because it is not approved to this day.

Mr. Hayward. The approval process flows through --

Mr. Scalise. Is it you or the Federal Government?

Mr. Hayward. The ultimate approval --

Mr. Scalise. Can you tell them no?

Mr. Hayward. The ultimate approval process is with the government.

Mr. Scalise. So the Federal Government is the one who hasn't approved the other 75 percent?

Mr. Hayward. I can't speak to the details of the other 75 percent.

Mr. Scalise. You don't know about it? We brought this to them. I know they submitted it. Our Governor submitted this to you and the Incident Commander.

Mr. Hayward. As you know, we have committed \$360 million to build a large part of the barrier island as --

Mr. Scalise. It is not a large part. It is 25 percent of the plan. That may seem like a large part to you.

Let me go to another question that we get asked. They don't have any kind of approval of creation of a seafood safety plan. Now, is that something that was submitted to you all? Is that the Federal Government that is not approving it? Is it BP that is not approving it? Because again, our local leaders, they are getting run around in a circle, and nobody is held accountable when things don't happen.

What I'm going to present to you is that we don't have time for these games to continue to play. We can't have 5 days go by before an answer is given to anybody because the oil is coming every day.

And I will just give you an example about the sand barrier plan. Now, you say you all have approved a lot of it. There is no plan of protection along any part of Grand Isle, and there is

an area call Barataria Bay. And I would suggest you go look it up. About a week and a half ago there was no oil in Barataria Bay. That section was scheduled to be covered by the barrier plan that still to this day hasn't been approved. Now, today there is oil, thick oil, coming into the Barataria Bay. So you're not showing the sense of urgency. And whether it is you or the Federal Government, we have got oil in Barataria Bay when we had a plan a month ago to keep the oil out of Barataria Bay.

So when people are hearing that everything is being done, I'm going to tell you, on the ground it is not getting done. And I don't know what you need to do differently, but you need to go do something differently. And if it is not you that is blocking it, you need to tell somebody who is blocking it, because it is being blocked. And it is not getting done on the ground, and we don't have the luxury of time.

This shouldn't be happening. We put plans in place to stop this from happening, and our plans are not being approved. Now, I would love it if our plans were being rejected because there were better alternatives that were being offered by somebody, that were being approved, but there are no other alternatives. All we are being told is no without any other option being presented. And what we are saying is if you have got a better option, present it. Otherwise approve our plan. But we don't have time to waste. Do you understand that?

Mr. Hayward. I understand your concern and your anger.

Mr. Scalise. And I hope you make the changes that are needed, because we don't have time.

This is something else. We continue to get -- and my office gets flooded, I know a lot of others get flooded, with ideas of how to stop the oil from coming into the marsh, how to cap the well and other things. We have seen basic ideas like putting hay in the water, all the way up to the supertankers in Saudi Arabia. None of them are getting done on the ground.

I'm going to give you this database. This is a database of ideas with links, with schematics of a number of different ideas that should be done that can stop the oil from coming into our marsh. But it is not getting done.

We don't have time to waste. So I'm going to ask you to move swiftly on this, and I am going to give you a resolution passed by our Senate that asks that you engage our local people who have been affected by this. A lot of them aren't even being able to be employed in saving the marsh. They want that done. And also to speed up the efforts on some of these alternatives that are going nowhere. We have got a lot of ocean out there that has got oil.

Mr. Stupak. Time --

Mr. Scalise. We want you to use every opportunity to fix that. So I'm going to give this to you.

Thank you, Mr. Chairman. I yield back.

Mr. Stupak. Mrs. Capps for questions, please.

Mrs. Capps. Thank you, Mr. Chairman.

Mr. Hayward, your \$20 billion of compensation fund is a good first step, but it is just the beginning. You're going to have to fully compensate everyone who has been affected by this disaster. This week BP announced the first installment of a \$25 million fund within a broader \$500 million commitment to the Gulf of Mexico Research Initiative. Is BP still committed to putting the full 500 million, not just the 25- installment, but the full 500 million, towards this initiative?

Mr. Hayward. We are. It is an initiative that will take place, we believe, over 10 years.

Mrs. Capps. When will we see the details of this entire program?

Mr. Hayward. It's being worked by the experts currently. We think it is important to have a program that has firm scientific foundation.

Mrs. Capps. Are these your experts, sir?

Mr. Hayward. No, these are not our experts. These are independent scientists from across the United States from some of the --

Mrs. Capps. I would request that you would submit to the committee the list of experts that you have that are developing this program. I would appreciate that.

Mr. Hayward. We would be very happy to do that.

[The information follows:]

***** COMMITTEE INSERT *****

Mrs. Capps. Will there be further scientific investments you will make available to the research community, significant further investments of dollars?

Mr. Hayward. Well, we have set up a \$500 million initial fund, and I think we need to see what the scientists determine.

Mrs. Capps. I just mention this because your commitment pales in comparison to the \$1 billion Exxon spent on the Valdez spill 20 years ago, which was in quite a bit more remote location, and fewer people apparently were impacted by that one.

So you are going to make all the data from this research available to the public?

Mr. Hayward. It would be fully open and transparent. It won't be BP's data, it will be the data of the scientists involved.

Mrs. Capps. All right. With their names attached?

Mr. Hayward. Absolutely.

Mrs. Capps. I want to switch topics now. The Federal Government has developed training classes to provide the necessary training for workers and volunteers who are cleaning up the oil from your spill, but we continue to see reports that BP is not following the training guidelines, endangering further the health of these workers now and long into the future. Why are we still hearing these kinds of reports from the people who are out on the water and on the shoreline?

Mr. Hayward. We are doing everything we can to train everyone involved in this as well and as clearly and as properly as we can.

Mrs. Capps. Are you using the Federal-developed courses?

Mr. Hayward. We are using OSHA guidelines to establish what is the appropriate training.

Mrs. Capps. Finally, I want to ask you about BP's response plan, which was clearly inadequate. This committee learned this week that the other major oil companies rely on the same response plans that are practically identical to your own. The same contractors seem to have written your plan and their plans. They hired the same contractors, apparently, as you did. And you all appear to have the same technical experts and the very same response commitment.

Now, if this bill had happened to a different oil company, do you have any reason to think that they would have responded more effectively than BP has?

Mr. Hayward. I can't really comment on that. All I can say is that we have initiated the biggest spill response in the history not only of America, but of the world. It involves thousands of vessels, 35,000 people. It is the largest activity of its kind ever conducted.

Mrs. Capps. I appreciate that. The Federal Government has -- of this country has also initiated the largest response that we have ever initiated on behalf of any kind of a natural

disaster or manmade disaster in the history of this country as well.

But finally, back to my original question on that topic. Rex Tillerson, the CEO of ExxonMobil, was asked the same question that I just asked you. He said that Exxon, his own company, is not prepared to deal with a large spill if it happens to them. He also said that the response capability to prevent the impacts of a spill doesn't exist. Now, bear in mind, this is the same response -- training manual -- response manual that your company has. With respect to his own, he says the impacts of a spill, the capability does not exist and probably never will.

My question to you, do you agree with Mr. Tillerson about this?

Mr. Hayward. I agree that there are many missings in our ability to respond to an incident of this type, and there will be many learnings to be had from this incident and how we can build better response capability in the future. And as I said, we are doing an extraordinary spill response, and I regret that it hasn't been more successful so far than any of us want.

Mrs. Capps. I yield back, Mr. Chairman.

Mr. Stupak. Thank you, Ms. Capps.

Mr. Gonzalez for questions, please.

Mr. Gonzalez. Thank you very much, Mr. Chairman.

Mr. Hayward, let me ask you, there is a 6-month moratorium on deepwater drilling. Do you think that is reasonable under the

circumstances?

Mr. Hayward. I think it is important that the lessons from this are learned, and that clearly that is a decision for the authorities to take, not for me. But it is clearly important.

Mr. Gonzalez. I'm not asking you to make the decision. I'm just asking your opinion. Based on your expertise and your position, I would assume you would have an opinion on whether that is a prudent thing to be doing.

Mr. Hayward. I believe it is prudent for the industry to take stock of what has happened here before it moves forward.

Mr. Gonzalez. Well, you know, there are calls to move expeditiously to lift that ban after accomplishing whatever is supposed to be accomplished in order to give people peace of mind that as we drill, we are not going to have recurrence.

When do you think would be appropriate to consider lifting the moratorium?

Mr. Hayward. I don't think I can make a judgment on that today. I think that is something --

Mr. Gonzalez. What would common sense tell you?

Mr. Hayward. I think it is understood clearly what happened and understood clearly what better response is required in the event that something like this ever happened again.

Mr. Gonzalez. I'm hoping everybody is going to be on that same page. It is fundamentally sound.

Now, we have had other Members that made reference to the

hearing we had a couple of days ago, and I'm sure you have already spoken to Mr. McKay and such. But Shell, Exxon, Chevron, ConocoPhillips, they all said -- I will tell you this, though. When I asked them if they could give me 100 percent assurance that nothing like this would happen when they are drilling in deep water, they wouldn't give me -- what they would say is, we do it safely, we do it safely. Human experience is that there are no 100 percent assurances about any activity. And all I was trying to get is that let us be honest with the American people that there is risk, there is risk, there is risk. And it is calculated risk. And if we can provide enough assurances that it is a risk worth taking, then we will be out there, won't we?

Well, they wouldn't do that, believe it or not. And I'm hoping you won't play that same game. What they did say was it never would have happened, because their manner and fashion of drilling is different than what you were doing. And I don't want to start a big war on you guys, but do you really believe that the way they explore and drill in deep water is substantially different than what you were doing out there?

Mr. Hayward. Not to my knowledge.

Mr. Gonzalez. I tend to agree with you.

So let's talk about planning. And I think Ms. Capps pointed out something that is really important as far as Exxon. What he actually said was, we couldn't deal with it if something like that happened, which is an incredible statement to make, isn't it, the

fact that you're willing to expose that kind of risk? And if the worst-case scenario did develop, you wouldn't know what to do.

So let's go back to 2003. The Society of Petroleum Engineers and the International Association of Drilling Contractors reported, quote, no blowout has yet occurred in ultra deep water, water depths of 5,000 feet or greater. But statistics show it is likely to happen. Are we ready to handle it? Well, we know the answer is no. But at that time they said it was likely to happen.

Have you ever read anything like that in all these years, that it was likely to happen?

Mr. Hayward. I haven't read that answer, I'm afraid.

Mr. Gonzalez. Did you believe that it was likely to happen?

Mr. Hayward. I did not believe it was likely to happen. It was a risk that was identified as the highest risk by BP across the corporation. It was a risk that was identified as the highest risk by our exploration and production unit. And we believed that the risk mitigant was the so-called failsafe mechanism of the blowout preventer.

Mr. Gonzalez. This blowout preventer, it is the ultimate failsafe. And I know that you keep using that term, and it comes back somewhat to haunt you. But I'm curious about blowout preventers and the difference -- and I was noticing my staff, as they were getting some information, if you have a surface well, you have a 10,000-pound-per-square-inch blowout preventer. Shallow water, 10,000 pounds per square inch; deep water, 15,000

pounds per square inch. Now, I'm not an expert. Why? What is the difference as you go into depth? Why a greater capacity?

Mr. Hayward. Because of the pressure of the reservoirs that we are drilling.

Mr. Gonzalez. Which then leads me to -- what do you think you're dealing with at that depth as far as pounds per square inch?

Mr. Hayward. We know that we are dealing with a reservoir with a pressure of around 11- -- between 11- and 12,000 pounds per square inch. And we have a blowout preventer rated to 15,000 pounds per square inch. I believe that's correct.

Mr. Gonzalez. I don't know this. Cameron -- I don't know that it is Cameron that builds these blowout preventers. That is a company that someone told me that is -- and they are working on a 20,000-pound-per-square-inch preventer. I mean, you're aware of that?

Mr. Hayward. I am, yes.

Mr. Gonzalez. And they actually said this: While there is much discussion and an ongoing effort to provide guidance for equipment greater than 15,000 pounds per square inch, in the interest of expediency it was decided within Cameron to apply current design codes and practices. The 20,000-pound-per-square-inch EVO blowout preventer was design-tested and qualified to API -- and I'm not sure what all that means -- 16A 3rd edition, meaning basically but for the sake

of expediency does concern me.

Why were you all looking at 20,000 pounds per square inch when you believe what you already have at 15,000 exceeds what really is required?

Mr. Hayward. I think that -- I'm not certain, but I think that is referring to blowout preventers for reservoirs with even greater pressure.

I do believe that one of the most important things to come from this incident is the requirement for the industry to step back and redesign the failsafe mechanism it uses to prevent accidents of this sort. We need a fundamental redesign of the blowout preventer. It is something that BP is going to take a very active role in. We have already begun that process with a number of academic institutions and a number of contractors in the industry.

Mr. Gonzalez. And I thank the chairman for his patience.

Mr. Hayward, we usually say better late than never, but not this time.

I yield back.

Mr. Stupak. Mr. Gonzalez.

Before Mr. Inslee, we should for the record -- recordkeeping, Mr. Scalise had submitted a CD and a resolution here from the State senate. He will provide copies for the record. So with unanimous consent they will be made part of his questioning and made part of the record within 10 days. Without objection, so

ordered.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Stupak. Mr. Inslee, questions, please.

Mr. Inslee. Thank you.

Mr. Hayward, something you said earlier was really quite astounding to me. You said that there was no evidence to date that there had been any decision made based on costs, that no decisions had been made in an effort to reduce costs. And I want to go through this because there is something that I think is quite pivotal in this investigation.

The facts are clear that you hired Halliburton to give you advice about this. Mr. Gagliano, an expert in the field, did an analysis and concluded you needed 21 centralizers to make sure that this rig was safe. And just to remove any doubt as to why that is important, the American Petroleum Institute recommended practice -- 65 says, quote, if casing is not centralized, it may lay near or against the bore hole wall. It is difficult, if not impossible, to displace mud effectively from the narrow side of the annulus if casing is poorly centralized. This results in bypassed mud channels and inability to achieve zonal isolation, closed quote.

So the experts said you need 21. Then if we can put up the first slide, a BP employee essentially wrote to that expert and said, we have only got six, and we don't have time to deal with this problem. Time to British petroleum was money. This rig was 45 days late. It cost you \$500,000 a day. And people's obvious

attention were about time, which meant money.

So what happened then? Well, another British Petroleum person sent a memo saying, you really need to follow the model here. He kicked it up to Mr. Guide.

If we could have the second slide.

Mr. Guide came back and said, I don't like the fact this is going to take 10 hours to do, even though another British Petroleum person had said we are going to fly 15 things in, they can be here tomorrow morning. Mr. Guide said, I don't like the 10 hours. And it didn't happen. And then the next response from British Petroleum -- next slide, please -- was an e-mail from Mr. Coteles sort of reprimanding another BP person, saying, even if the hole is perfectly straight, a straight piece of pipe even in tension will not seek the perfect center of the hole unless it has something to centralize it, meaning you have got to have the right centralizers. But he went on to say this: But who cares? It is done, end of story, we will probably be fine, and we will get a good cement job.

What happened then -- that is not quite the end of the story. Mr. Gagliano then ran further computer models, and he concluded -- the last slide, please -- he concluded -- and this is hard to read, but I will read it. He concluded that this well is considered to have a severe -- and severe is all capitalized in his memo -- gas-flow problem.

Now, it is very clear to me, reading this clear evidence,

that, in fact, decisions were made because of costs, because people didn't want to wait to get the centralizers that was needed to safely do this job. So your statement that there is no evidence that costs led to shortcuts just doesn't ring true with me.

Isn't it pretty clear that there were cost decisions made that had suboptimal at best number of centralizers in placement in this well?

Mr. Hayward. I don't want to be evasive, but I genuinely believe that until we have understood all of the things that contributed to this accident, it is not easy to say what I would say. If there is evidence that costs were put ahead of safety, I would be both deeply disturbed, and we would take action.

Mr. Inslee. Sir, let me ask you about that action. We just read these e-mails. Everybody in this room knows what happened, reading these e-mails. You know what happened in reading these e-mails. Are you going to call the employees involved when you leave this meeting and say -- because you're drilling in places all over the world right now; this is an ongoing operation -- and tell them they have to change their attitude? Are you going to take action based on these e-mails today?

Mr. Hayward. We will take action based on our investigation which puts all of this together, and as -- as it unveils clear conclusions, we will take action on them.

Mr. Inslee. Let me suggest another action. We asked British

Petroleum what it spent on research and development regarding safer offshore drilling technologies. You gave us the number. It was about \$10 million a year. That represents 0.0033 percent, 0.0033 percent of British Petroleum revenues. That doesn't sound like an adequate prioritization. How does it compare to your compensation?

Mr. Hayward. In what respect?

Mr. Inslee. British Petroleum is investing about \$10 million a year in safer drilling technology. How does that \$10 million a year compare to you compensation last year?

Mr. Hayward. My compensation last year was \$6 million.

Mr. Inslee. Forbes reports it at 33-. There must be some misunderstanding then. Is that appropriate? Stock options don't count?

Mr. Hayward. My compensation last year was -- is -- I think it was recorded at \$6 million.

Mr. Inslee. Do you think British Petroleum ought to make a larger investment of its significant gross revenues in developing safer drilling technology? And do you think you owe that to the American people at this point?

Mr. Hayward. The answer is yes, and we undoubtedly will do that on the back of this accident.

Mr. Inslee. We hope that that will be expeditious and successful. Thank you.

Mr. Stupak. Thank you, Mr. Inslee.

Mr. Melancon for questions, please.

Mr. Melancon. Thank you, Mr. Chairman, I appreciate it.

Mr. Hayward, how many deepwater operations do you have at BP around the world that you're operating?

Mr. Hayward. I don't know the precise number, but it is probably in the order of 15 or so.

Mr. Melancon. Is there -- one of the things I have run into, and Mr. Scalise alluded to it, we have had in my office over 600 requests for submissions for products, ideas, concepts, ways to cap the wells, et cetera, et cetera. Basically -- and, of course, because of ethics, we can't and won't go in and make anybody meet with anybody. So we just refer them into them. The best I can tell is that maybe 3 out of the 600-plus have received an e-mail back, thank you for your submission, or, no thank you, if anything else.

There seems to be a closed loop of vendors that you're dealing with, which my frustration is that the hole is still wide open. And when this accident first occurred, everyone said, we are going to take whatever ideas and suggestions, whatever -- I mean, the cofferdam, the top hat, whatever. But I have seen some people that have called me, and we referred them in, and they have never heard once from your company. Is this just if you're not a vendor with us before this occurred, then we are not dealing with you, or are you going to only the vendors and allowing them to select who they are going to deal with? And my reason for this is

because if there are good ideas out there, why isn't somebody looking at them?

Mr. Hayward. We are trying very hard to engage with everyone who has a good idea. We have been, quite frankly, inundated with hundreds of thousands.

Mr. Melancon. I know there is a tremendous amount. I know that the first one I saw was wrapped -- sheets around a cord hanging with milk cartons to catch oil. So I understand that. Those are easy to go through.

Let me shift to another gear. Do you believe that this administration's moratorium is a result of the tragedy that occurred on Deepwater Horizon, the fact that they put it in was strictly because of what went wrong in Deepwater?

Mr. Hayward. I don't know that, but I believe that is the case, and I think it is probably the right thing to do until such time as we have greater clarity.

Mr. Melancon. And I agree with that. I don't agree with the moratorium because -- and as I have expressed to my friends, it is really difficult for us in Louisiana to stand in oil and say we will take more oil, but it is because of the economy, it is because of the jobs we have supported -- I have supported -- the industry. I support the people.

But it makes sense that BP bear the responsibility of the economic hardship associated with this moratorium. I think you all put 100 million aside for lost jobs. I'm told that in a given

month -- and I don't know if this is just Louisiana, offshore Louisiana or offshore -- but it is about 350 million a month in wages.

Are you and your company going to take responsibility and make sure that these companies that fold up or these companies that have financial hardships, and particularly their employees that they are going to start laying off, are going to be compensated in some way?

Mr. Hayward. We made a contribution, having been asked to by the government, up to a fund which will be part of the funding for that issue.

Mr. Melancon. Do you think 100 million is adequate? And you have been in the oil business for quite a while. Those are good-paying jobs; that is why we want to keep them. But do you think that contribution is adequate for --

Mr. Hayward. We made a contribution. We set aside \$20 billion for claims.

Mr. Melancon. Twenty billion is for everybody else, that is businesses and otherwise. I am concerned also with them. Ms. Roshto and Ms. Kemp were in Chalmette the other day. Very brave women, especially so soon after the deaths of their spouses. And at the hearing, Ms. Roshto and Ms. Kemp shared with us questions they had for your company. I would like to hear maybe your response.

Ms. Roshto's husband told her about the problems on the rig,

that the well was losing a lot of mud. That is the sort of detail that may not have come to your attention, but it is well known among workers on rigs as a sign of a problem. She wants to know, and she asked this question at the hearing, why your company wasn't working harder to fix the problems on the rig in the weeks before the explosion? Why wasn't your company prepared for a blowout?

Mr. Hayward. I think, as I have said all along today, we want to understand exactly what happened such that we can take the right actions going forward. I'm not aware of what you just raised, but the investigation will determine whether or not -- the multiple investigations will determine --

Mr. Melancon. Investigations are not going to bring back those 11 men to their kids. Not only were these women concerned about your company's preparedness, they were also concerned about your company's values. They wanted to ensure that rigs were kept safe and told us that BP should be held accountable for not protecting their husband.

Mrs. Kemp asked why money is more important than someone's life. And so I guess on behalf of Ms. Kemp, how do you respond to that?

Mr. Hayward. It isn't. It absolutely it is not. As -- since I have been in this role, it is something I believed in for a very long time. The priority of everyone involved in these operations is safety. That doesn't come before anything, not

anything. It is something that I believe personally very passionately.

Mr. Melancon. The women talked about in their testimony -- I'm sorry, I have gone over my time.

Mr. Stupak. Finish your question.

Mr. Melancon. The women talked about in their testimony that their husbands worked for the drilling rig company, for Transocean, and that they pushed safety, they pushed safety, they pushed safety. But in discussions in weeks prior to the explosion, their husbands talked about BP waiving; saying, keep going, keep doing. And I have heard growing up in south Louisiana about the tool pusher or the drilling foreman and the company guys getting into fistfights.

Was there any incidents, to your knowledge, or have you discovered that there was a direct order given by BP that says, keep going, I don't care what is going on?

Mr. Hayward. I have not seen any evidence of that whatsoever, and I believe that the operation on the rig in the days leading up to the incident and in that day was carried out because everyone agreed on the rig to move forward.

Mr. Melancon. Thank you, Mr. Chairman.

Mr. Stupak. Thank you, Mr. Melancon.

Ms. Castor for questions, please.

Ms. Castor. Thank you, Mr. Chairman.

Mr. Hayward, I would like to start out by expressing the

anger and frustration of the hardworking people of my home State of Florida at the catastrophe BP has rendered upon our State and all the small businesses, the fishermen, the mom-and-pop hotel owners. We were just coming out of the most severe recession of our lifetime that happened in 2007. Things were getting a lot better. So this is like a sucker punch to the gut to learn that this tragedy is a result of BP elevating profit considerations over safety.

For a decade many in Florida have opposed this drumbeat to bring the oil rigs closer to our beaches over time. We haven't industrialized our coastline like other States. We rely on tourism and clean beaches and clean water, and we really fought it off, even in the face of very well-paid lobbying campaigns and ad campaigns and with a lot of representations that this is safe, this is safe technology, whether it is in deep water or in shallow water.

So, Mr. Hayward, I'm trying to understand how BP was either so unprepared for the possibility of a blowout or ignored the risks, because according to the Minerals Management Service study conducted in 2007, 126 blowouts have occurred at offshore drilling facilities on the Outer Continental Shelf since 1971. In 1979, a blowout at the Ixtoc oil well in the Gulf of Mexico created a disaster that flowed continuously for 290 days. And, Mr. Hayward, you have said that the chances of a blowout and explosion like the one that sank the Deepwater Horizon rig were one in a million, but

over the past 40 years, there have been 126 blowouts in the U.S. waters alone. That is roughly three blowouts per year. How could an average of three blowouts every single year for the past 40 years not have registered as more than a one-in-a-million chance risk for your company?

Mr. Hayward. With respect, Congresswoman, I think what I said was that the integrity rating of the blowout preventer was of the order of 10 to the minus 5, 10 to the minus 6. That is to say that it was designed to fail between 1 in 100,000 and 1 in a million times.

Ms. Castor. And that is an acceptable risk?

Mr. Hayward. It is the risk that BP and the industry more broadly use to assess the failsafe mechanism called the blowout preventer.

Ms. Castor. I know you rely on these blowout preventers, and you call them failsafes, but they are not failsafes at all in the face of what we have discovered through our committee's examination and the statistics here. This committee has reviewed BP's regional oil spill response plan for the Gulf of Mexico, and not one time in the 582-page plan does BP lay out a method for controlling a subsea gusher after a blowout has occurred. Your company conducted its planning as if an uncontrolled subsea blowout wasn't even a possibility.

In a recent interview with the Financial Times, you admitted, what is undoubtedly true is that we did not have the tools you

would want in your tool kit. My question to you is very simple: Why not? Why weren't you prepared? Why did you elevate profits over safety?

Mr. Hayward. I don't believe we did elevate profits over safety. What I was referring to in that article was the very complicated engineering problem we were faced with after the rig sank attached to its riser. So we had a well, a riser and a rig on the floor, and we didn't have the pieces of equipment instantly available to cut the riser, to cut off the top of the riser and find a way to intervene on the wellhead. And that is indeed true.

Ms. Castor. Mr. Hayward, for years big oil companies and your allies have claimed that drilling is safe, and you want to come closer to Florida beaches, and you say it is safe, deep or shallow, that there are no problems. But on the other hand, we have heard over and over again over the last couple of months this is complex and this is dangerous, it is dangerous to drill miles below the ocean. And BP officials have said it is like operating in outer space, and given the difficulties and complexities in what we really knew, in what you knew about the risks, I can't understand why you all would assume that nothing could go wrong.

So I'm -- the doublespeak is rather tiresome. I'm dismayed and disheartened by what has happened and the elevation of profit over safety. And I can only hope that this disaster will motivate us to reassess our priorities and implement a clean energy policy for this country.

Thank you, Mr. Chairman.

Mr. Stupak. Well, that concludes questions of everybody on the committee. Now there is a few more questions. There are a couple of Members that have a couple of follow-up questions. So we are going to go a quick second round, if we may. So I will start with Chairman Waxman, if you would like to begin.

The Chairman. Thank you very much, Mr. Chairman.

Mr. Hayward, you said your priority, your top focus, is on safety, and you feel very passionate about it. Except for your statement to that effect, I see, as you have said over and over again today, no evidence of that. You and other senior officials seemed oblivious to what was happening on the Deepwater Horizon rig. You weren't following the progress of the well. You weren't aware of the risks that were being taken. In answers to questions you said that your top officials under you, Mr. Ingles and Mr. Suttles, you would be surprised if they were following the happenings on the rig. You said you couldn't answer for them, but you would be surprised if they had been following the activities on the drilling rig.

So who was following the activities on the drilling rig? You said there were people there who were the experts in their field. I just find it shocking that when the potential consequences of a mistake on a deepwater rig are so enormous, and you have such a high, passionate commitment to safety, that you seem so removed. I think operating in a deepwater environment is like operating in

outer space, and yet you seem to think that all is going to be taken care of in time.

Now, you said there is a team of the best minds in the world working on how to stop the oil spill. When were the best minds in your company paying attention before the spill? You were oblivious, and so were other senior officials. And I think this was a fundamental mistake in management. Let me ask you that: Do you think there was a fundamental mistake in management not to know?

Mr. Hayward. I think, as I have said, that we have made it very clear that the focus in the company is on safety. What management can do is ensure that the right people with the right skills are in place, and the right systems and processes are in place, and the right priorities are in place, and the right investment is available to ensure that the plant that we are operating has integrity.

The Chairman. So you felt confident that the people who were making these decisions -- and we went through five in our letter to you, and many Members asked you about some of these decisions -- that the right people were making those decisions?

Mr. Hayward. I believe that the right people were making those decisions.

The Chairman. And you have no evidence that they didn't make the right decision. That seems to be your position today; is that right?

Mr. Hayward. I think at this stage in the investigation, it is premature to draw conclusions as to what was and what was not the right decision.

The Chairman. So it is premature.

What investigation or investigations are taking place to determine these facts?

Mr. Hayward. There is the BP investigation, there is the Marine Board investigation and the Presidential commission.

The Chairman. And are you going to be cooperating with all of them?

Mr. Hayward. We are, as we have, Mr. Chairman, cooperated with your committee.

The Chairman. Well, I question how cooperative you have been with our committee, because I have heard very little answers to the questions from you today to the questions raised by our colleagues. You were asked whether BP made a mistake in well design. You said you haven't reached a conclusion yet.

Mr. Dingell asked whether costs were a factor in your decisions, and you said you didn't know because you weren't there. When Mr. Doyle asked you who made the well design decisions, you said you didn't know.

Our committee is doing an investigation. Now, the reason we are doing an investigation is we want to know how this happened so that we can make changes in the law and the procedures if we are going to allow further drilling. Don't you think you ought to be

more forthcoming with us?

Mr. Hayward. We will be as forthcoming as we can be, Mr. Chairman.

The Chairman. Give me the time horizon for your investigation. When will you have that completed? You have already had 60 days to do it. Is it going on now?

Mr. Hayward. It is ongoing. And we want to have access to all of the evidence before we make final determinations. But as we have made very clear --

The Chairman. Give me your estimate of when that will be concluded.

Mr. Hayward. One of the most important elements in this is the blowout preventer. It remains on the seabed, and it needs to be examined.

The Chairman. So we will put that aside. How about the other decisions before the explosion about the casing, about the centering of the well, about all of the other things that have been raised, have you reached any tentative conclusions that you can share with us?

Mr. Hayward. As we shared with you recently, we have identified 7 areas, areas of focus in our investigation. And we will continue to share our understanding and our thinking with you as that develops.

The Chairman. Mr. Inslee asked you if there was any action that appeared -- if there was any action to save money, and you

said there is no evidence of that. I can't believe you said there is no evidence of that. There is evidence. You want to know more about it, but there is evidence to that effect, isn't there?

Mr. Hayward. There were decisions taken by the people at the time, and some of them, sitting here today, appear they may have been to deal with money. But it is not clear. The --

The Chairman. The evidence is not conclusive, but there is evidence.

Mr. Hayward. The decision, for example, to run a long string versus a liner was, as it shows in the document that you highlighted to me, a decision to do with the long-term integrity of the well.

The Chairman. There is evidence, and evidence may point in a certain direction. There may be evidence that points in another direction. So you take the evidence and reach a conclusion based on the preponderance of the evidence. That is not to say there is not evidence, when we have some of these clear examples.

Let me ask you this. You can't give us a time for when this investigation is going to be complete, so we are relying on you to do your own investigation. Why should we rely on you to do your own investigation? I don't think you have a terrific record of reliability that should give us comfort to have us step back and just wait to get answers from you until you have done your own investigation. Why should we rely on that?

Mr. Hayward. We are clearly not the only people doing an

investigation. There are many people doing investigations. All I have committed is that as our investigation proceeds, we will share with you all of our findings and all of the data and all of the information.

The Chairman. Let me just say in conclusion, we delayed this hearing today so you could be prepared to answer our questions. We sent you our questions in advance, yet you have consistently ducked and evaded our questions. There may be some reason you think this approach makes sense, but your evasion will make our job more difficult. It will impede our understanding of what went wrong and will make it harder for us to draft appropriate reforms.

I think that is regrettable and an unfortunate approach for you to take to the work of this committee of the United States Congress. And I will look forward to seeing what you come up with, but we are going to get evidence, and I would like you to submit for the record the names of the individuals who made those decisions in each of the areas that were under discussion in the letter we sent you. Would you be willing to do that.

Mr. Hayward. We will make that available to you --

The Chairman. Thank you.

Mr. Hayward. -- as we have made everything, to my knowledge, available to you.

[The information follows:]

***** COMMITTEE INSERT *****

The Chairman. Maybe they will have some answers they can share with us. Thank you very much.

Thank you, Mr. Chairman.

Mr. Stupak. Mr. Barton for questions.

Mr. Barton. Thank you, Chairman Stupak.

We are about to finish up this hearing. We do appreciate your patience in listening to all the various members of the subcommittee.

What one or two recommendations are you prepared to give about what we could do to prevent a future accident of this type now that you know what you know and you have listened to what the Congress knows here today? Are there one or two things that you would like to suggest for consideration to prevent an accident of this type from happening in the future?

Mr. Hayward. I believe the most important one is to take the failsafe mechanism called the blowout preventer and design is such that it is genuinely failsafe. The reality in all industrial accidents is that there are always a combination of equipment failure and human judgment. And the most important thing is to have in place a system that is genuinely failsafe. And it is clear, based on our experience of this accident, that the current design basis of the blowout preventer being used in the deep water, not just in this case, but across the world, is not as failsafe as we believed it to be. And I believe that is a very

important lesson that the industry needs to grasp, along with the relevant regulatory agencies.

Mr. Barton. Much has been made of the complexity and the risks associated with drilling these deep wells. Would you care to -- I have asked some of your subordinates to give us some sort of an assessment of the potential size of this particular field of this particular well. I have asked the Texas Railroad Commission and the Texas Geological Survey what the largest onshore oil well in Texas in its history of over 100 years has been, and with the exception of the initial discovery at Spindletop in 1901, we can't find a record of any well on shore in Texas, which has been the number one oil-producing State in the country for over 100 years, with the exception of a few years where Alaska at Prudhoe Bay, at its peak that flowed at 50,000 barrels a day. And the latest estimates are that this well in this condition could be flowing as much as 50,000 barrels a day. If you extrapolate that on an annual basis, that is over 100 million barrels of oil a year.

So could you give us some assessment of why BP and other companies go to such extraordinary measures to drill in these areas? What is it that you think you found or are hoping to find beneath the Gulf of Mexico?

Mr. Hayward. In the instance of this well, we believe that the discovery was of the order of 50 million barrels.

Mr. Barton. Fifty million?

Mr. Hayward. Fifty million barrels. That is our estimate of

the discovery -- the size of the discovery that this well made.

Mr. Barton. So at the rate it is flowing, it ought to peter out pretty quickly; 50,000 barrels a day is 350,000 barrels a week, which is 3.5 million in 10 weeks, which is 35 million in 100 weeks. So I was told it was on the order of 500 million barrels.

Mr. Hayward. That is not correct, Congressman. This is a discovery based on the -- clearly on the well and the seismic information we had available to us, which is --

Mr. Barton. So it is just that the extreme pressure -- I mean, it couldn't flow at this rate in full production?

Mr. Hayward. That's correct.

Mr. Barton. Is that a fair statement?

Mr. Hayward. That's correct.

Mr. Barton. Would you care to tell us what it would flow at, what you expected it to flow at per day?

Mr. Hayward. I think at a producing well, properly completed, we would expect it to be between perhaps 15- and 25,000 barrels a day.

Mr. Barton. And lastly, with the moratorium that is currently in existence in the Gulf of Mexico for the deep areas, the 6-month moratorium, I know you have to do -- we want you to stop this spill and clean it up, but there are other areas that could be explored. What other areas might BP go to instead of in the Gulf of Mexico?

Mr. Hayward. Well, we have deepwater drilling exploration

and production operations in a large number of locations around the world; in West Africa, Brazil, Egypt, to name the three, as well as the U.K. in the North Sea.

Mr. Barton. So you would focus on those areas if this moratorium continues?

Mr. Hayward. We are focused today on the relief well.

Mr. Barton. I understand that, and you should be. You better be.

Mr. Hayward. I haven't thought, frankly, beyond the relief wells in terms of activity in the Gulf of Mexico.

Mr. Barton. Thank you, Mr. Chairman.

Mr. Stupak. Thank you, Mr. Barton.

Mr. Hayward, in the line of questioning throughout the day, you have referred to the blowout preventer. Mr. Gonzalez, when he asked you questions, and Mr. Barton just asked some questions on there. Back on June 4th, you wrote an editorial for the Wall Street Journal. In talking about the blowout preventer, you stated, we in the industry have long had great confidence in the blowout preventer as the ultimate failsafe piece of safety equipment, yet on this occasion it failed with disastrous consequences. Do you still believe the blowout preventer should be considered the ultimate failsafe?

Mr. Hayward. I believe so. Either a blowout preventer or some similar mechanism.

Mr. Stupak. I'm a little surprised by your comments, because

the committee received a document -- you have the document binder right there. You may want to refer to it -- that evaluated the blowout preventer used on the Deepwater Horizon rig. The document was prepared in 2001. It is tab No. 14 right there, and we have put it up on the screen.

In 2001, when Transocean bought the blowout preventer, I want to show the executive summary in which BP participated with it in this review. And it says, engineering and operations personnel identified 260 failure modes.

Do you see where it says that towards about top third of it? Okay.

So BP engineers helped to identify these 260 failure modes. So how can you write or how can you testify -- but how can you write in the Wall Street Journal 2 weeks ago that you thought the blowout preventer was the ultimate failsafe when your own engineers examined the blowout preventer 9 years ago and found 260 failure modes in it? How can you ever say it is the ultimate failsafe?

Mr. Hayward. I haven't seen this document previously. I apologize for that, but I haven't.

Mr. Stupak. Well, now knowing there is 260 failsafe modes in this blowout preventer that was on Deepwater Horizon, it never was the ultimate failsafe, was it?

Mr. Hayward. The blowout preventer is designed to be the ultimate failsafe. That is the design basis. It is the basis for

which the industry has operated for 30 years in deep water.

Mr. Stupak. Let me ask you this: As the CEO, why, then, did your company change the blowout preventer failsafe method or mechanism? For instance, we found other things that showed that this blowout preventer was not failsafe. At our first hearing, May 12th, I asked in review of it that the blowout preventer had been modified in ways which would increase the risk that it would blow out, that it wouldn't work. Okay? One modification, for instance, was to remove the important variable bore ram and replaced it with a test ram that made it ineffective in case of an emergency.

At our hearing I asked Mr. McKay, who is the president of BP America, about these modifications. He testified under oath, he took the oath, and he said he didn't know anything about modifications. We have since learned that BP approved modifications despite being warned that it would reduce the safety of the blowout preventer. I would like to display it again. It is tab No. 10 right in your book right there. Here is a letter from 2004 from Transocean sent to BP that BP signed and acknowledged. And it says, BP acknowledges that the conversion -- the conversion you asked for -- the conversion will reduce the built-in redundancy of the BOP, thereby potentially increasing the contractor's risk profile.

So what does that mean, BP, that you reduce the built-in redundancy, increase your risk? You asked for modifications which

limit the redundancy and increase your risk, right? BP did.

Mr. Hayward. Again, I haven't seen this document previously. What I do know, there were modifications made to the blowout preventer. In particular a test bore ram was added. It was not a subtraction. It was an addition to the blowout preventer is my understanding.

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[4:45 p.m.]

Mr. Stupak. But here is our problem. Your territory will say this is the ultimate failsafe. We find out it is modified. We ask your representative, Mr. McKay; he says no, no. We get down to the hearing, we get documents showing, in fact, BP asked for it. BP was warned that the ultimate failsafe system, the way BP wanted it modified will increase the risk of a problem. And that is the one we have here in Deepwater Horizon.

So how can we write an editorial -- you can't have it both ways here. How can we write an editorial saying, "Oh, this is the ultimate system" -- and even your own engineers said there are 260 different ways it can fail. Then you add some more to it.

Mr. Hayward. The --

Mr. Stupak. Go ahead.

Mr. Hayward. The blowout preventer is designed to be the failsafe mechanism in the drilling industry.

Mr. Stupak. Correct.

Mr. Hayward. That has been the case since blowout preventers were created.

Mr. Stupak. But you are the CEO. You have been head of exploration, drilling, all this. Does it make sense to you that this is the ultimate failsafe system when there are 260 different ways it can go wrong? Plus, you, your company modifies it, which

increased the risk of things going wrong?

Mr. Hayward. The facts is, it is the ultimate failsafe mechanism.

Mr. Stupak. Let me ask you this. Okay, this well, you started drilling it last fall, the Macondo well, last fall, using the different rig, the Marianas. It was harmed, it was damaged in the hurricane, so you replaced it with Deepwater Horizon.

In November of last year, Transocean pulled out the blowout preventer from the ocean floor because its shear rams weren't working. The lower annular would not close, and the upper annular had been stripped through during a well-control event.

We know that BP was aware of this because Transocean -- and, again, it is Document No. 12 there in our binder -- reflect conference calls with BP about the problems with this blowout preventer. In addition, Transocean records indicate the incidents state that the estimated down time forced by the malfunction is a conservative 10 days at \$444,111 per day, or \$4.4 million, as it shows.

So how can you say blowout preventers are failsafe devices when the blowout preventer you are using on the well in November had to be removed because of malfunctions?

Mr. Hayward. Well, of course, the answer is, they are the failsafe mechanism, and when problems are identified with them, they are rectified. And I believe that is what has taken place.

Mr. Stupak. You know, you can't have it both ways here.

This accident occurs. You have a blowout preventer you know had 260 different errors in it, ways it could go wrong. You modify it. You pull it in November of 2009. You see there are all kinds of problems. This accident happens. So you write this editorial in the Wall Street Journal saying, "Hey, it ain't our fault. It's mechanical." You said earlier, an accident is because of mechanical failure and human judgment -- human error.

It seems like we have more human error than mechanical, because the mechanical safeguard, the ultimate failsafe, really wasn't an ultimate failsafe. They can fail in many ways, and that is exactly what went wrong here and that is what happened on the 20th. Correct?

Mr. Hayward. What is clear is that the ultimate failsafe failed to operate in this case. That is absolutely clear.

Mr. Stupak. Why would a company like BP, when you are doing this deepwater drilling, modify the ultimate failsafe if it is supposed to protect the American people and our environment? Why would you modify it, increase the risk of problems? You knowing it, you sign a document. The contractor warns you not to do it, and you still do it. That is the problem we are having.

Mr. Hayward. As I said, the blowout preventer is the failsafe mechanism. It is designed to be exactly that.

Mr. Stupak. Questions, Mr. Burgess?

Dr. Burgess. Thank you, Mr. Chairman.

Mr. Hayward, it has been a long day.

You said earlier, if I recall correctly, that everyone in your organization, in the culture of safety, not only had the right to curtail operations but the obligation if they saw something going on that was not safe. Is that correct?

Mr. Hayward. That is correct.

Dr. Burgess. And in response to a question from the other side of the dais, and I don't remember who asked it, you also made the assertion that the right people were making the decisions on the rig. Did I hear that correctly?

Mr. Hayward. I believe that is the case.

Dr. Burgess. Who is Donald Vidrine?

Mr. Hayward. He is the well site leader on -- one of the well site leaders on the Deepwater Horizon.

Dr. Burgess. So he was referred to in a Wall Street Journal article as the company man or the BP man on the Deepwater Horizon the day of the blowout. Is that correct?

Mr. Hayward. That is correct, yes.

Dr. Burgess. I don't know if you are familiar with the article that was in the Wall Street Journal, and this has been several weeks ago, on May 27th, I believe. They talked about a skirmish between some of the Transocean folks, the chief engineer or chief mechanic on the Deepwater Horizon, and the rig's top manager, Jimmy Harrell.

Are you familiar with that discussion that apparently was quite a heated discussion? I think Mr. Gonzalez was actually the

one that brought it up.

Mr. Hayward. It is my understanding, Congressman, that that account has been contradicted under oath in the Marine Board investigation and that there was no debate or skirmish or any other heated discussion.

That is what -- I can't recall exactly who it was, but, under oath at the Marine Board investigation, I believe it was the Transocean tool pusher, testified that there was no either heated discussion or debate or anything else.

Dr. Burgess. Would that would be the tool pusher Miles Ezell?

Mr. Hayward. I believe that is the case, sir.

Dr. Burgess. It wasn't Dewey Revette, because he died in the accident. And he was one of the other witnesses to the altercation.

Well, you know, if this occurred, even if it only partially occurred, it just seems like there was enough discussion that someone should say, "Wait, let's not go forward with this because at least some of our number feel it is unsafe." And, again, you said that the men would have the obligation, not just the right, to say let's halt; he would have the obligation to say, well, let's get everyone on the same page with this.

Am I wrong to assume that?

Mr. Hayward. You are not wrong. And I think you can only conclude they all believed that it was right to proceed.

Dr. Burgess. Are we ever going to get a chance to talk to Mr. Vidrine? Will BP make him available to our committee?

Mr. Hayward. If you call him, of course.

Dr. Burgess. Let me ask you another question. You said in response to some information that came up that there was no evidence that BP was focusing on the cost of drilling. And, yet, March 2010 strategy presentation, you stated, "We have added exploration resources efficiently. Our discovery cost was \$1.40 per barrel in 2009. This is consistent with our track record over the last 5 years of having the lowest discovery costs in the industry."

Now, certainly, that would be enviable, except, in a culture of safety, I mean, I might even spend \$1.45 or \$1.47, instead of just \$1.40, if it meant that it was a safe procedure.

So was maintaining the lowest-cost discovery in the industry possibly a factor in the decision-making on this well?

Mr. Hayward. None whatsoever.

But that metric is created by dividing the volume of barrels discovered by the costs. And what it talks to is the success of our exploration program and the scale of the volume that we have discovered, not anything to do with costs.

Dr. Burgess. Well, but it does have something to do with cost. Now, it has been reported that completion of the Macondo well was running behind schedule. Is this accurate?

Mr. Hayward. I believe it was running behind schedule, that

is correct.

Dr. Burgess. How far behind schedule?

Mr. Hayward. I don't know the precise number.

Dr. Burgess. What does it cost today to run a rig like that?

Mr. Hayward. That sort of rig, fully built up, the cost is probably a million dollars a day or thereabouts.

Dr. Burgess. So, even a couple of days over is a significant cost driver on that \$1.40-a-barrel minimal discovery cost in the industry.

Mr. Hayward. Well, with respect, Congressman, the most important thing was that actually we had made a discovery, and we wanted to secure it in the proper way. And that was going to be a far bigger driver of any value that the company was going to create than the cost of the operation.

Dr. Burgess. I don't disagree with that. But, oh, how I wish that that had been the case, as we are investing hearing after hearing after hearing on this thing case and the darned thing is still bubbling down at the bottom of the gulf. That doesn't seem to be accurate.

Is your own investigation looking at the issue of whether or not cost drivers were an issue in the problems that were created?

Mr. Hayward. Our investigation is covering everything.

Dr. Burgess. So it wasn't on your list, but, nevertheless, it will be included in your --

Mr. Hayward. Well, my list is the early findings of the

investigation in terms of the key areas to focus on -- areas around cement, casing, the integrity test --

Dr. Burgess. Got it.

Mr. Hayward. -- well control procedures.

Dr. Burgess. I got it. We are running out of time here.

But when you said your investigation was proceeding without privilege early on in the hearing today -- so it would also cover the issues of whether or not cost drivers were an issue in creating the problems?

Mr. Hayward. It will cover everything.

Dr. Burgess. Thank you, Mr. Chairman.

You know, I would just echo what Mr. Scalise said earlier. We get calls all day or night, faxes come in, people have got ideas on how to fix our problem in the gulf. I really wish you guys would open up an 800 number and take these things and vet them and listen to what people are saying. Americans are terribly -- we have a lot of ingenuity in America. And people are watching that thing that Mr. Markey made everyone's computer screen show 24 hours a day. It is driving people crazy to watch that thing bubbling in the gulf. People are coming to us with solutions. There needs to be a central location. I don't care whether it is you, I don't care whether it is Dr. Chu, but somebody needs to be vetting these things and, if there is a reasonable idea out there, put it to work.

Thank you, Mr. Chairman.

Mr. Stupak. Mr. Markey for questions.

Mr. Markey. Thank you, Mr. Chairman, very much.

Mr. Hayward, is the most optimistic date for the relief well to be completed still August?

Mr. Hayward. That is our current timetable.

Mr. Markey. Is August also the earliest date the leak can be stopped? Or will it take more time after the relief well is complete before the flow of oil is permanently halted?

Mr. Hayward. The relief well will halt permanently the flow of oil.

Mr. Markey. Mr. Hayward, in 2009, an independent firm that BP hired to serve as its ombudsman, headed by former Federal Judge Stanley Sporkin, substantiated that BP was violating its own policies by not having completed engineering documents onboard another BP rig operating in the Gulf of Mexico, the BP Atlantis, when it began operating in 2007. One BP official warned that the absence of these safety documents could lead to catastrophic operator error.

Let me read to you from an internal BP e-mail. And this goes from Barry Duff, BP employee, to other engineers at BP. Here is what he said. He said, "The P&IDs for subsea are not complete and have not been approved, are handed over to operations. The current procedures are out of date. The risk in turning over drawings to the people out on the rig running the Atlantis that are not complete are: number one, the operator, the BP operator,

will assume the drawings are accurate and up to date. This could lead to catastrophic operator errors due to their assuming the drawing is correct. Turning over incomplete drawings to the operator, the BP operator, for their use is a fundamental violation of basic document control. Having the project document control person turn over drawings that are not complete places the onus on her that they are the most current version. Currently, there are hundreds, if not thousands, of subsea documents that have never been finalized yet the facilities have been turned over."

Mr. Hayward, BP's managing attorney stated to the Associated Press on May 15th of this year that BP has reviewed the allegations and found them to be unsubstantiated.

Mr. Hayward, were all of the engineering documents and drawings necessary to operate the Atlantis rig safely and fully completed before the Atlantis rig began operating in the Gulf of Mexico?

Mr. Hayward. When this issue emerged, we conducted a full investigation and determined that all of the drawings that were necessary to start up the operation were available to the people starting up the operation at the time the operation started up.

Mr. Markey. Mr. Hayward, Mr. Duff was relieved of his duties in the middle of August of 2008. A new person was put in charge as a result. His name is Ken Abbott. Ken Abbott has been testifying all day in Washington across the street in the Natural

Resources Committee.

He is a whistleblower. He got fired 6 months after he replaced Mr. Duff because he raised the very same concerns, that there was not proper documentation on the BP Atlantis. He was fired even though he raised issues that obviously have a lot of resemblance to the kind of attention to the safety protocols that were part of the BP-Horizon rig.

Is it part of your policy, Mr. Hayward, to fire employees who raise questions about the safety of your rigs?

Mr. Hayward. No, it is not.

Mr. Markey. Well, Mr. Hayward, I am afraid that that is what happened to Mr. Abbott. Because not only was he fired, but 2 weeks later they put out -- and was told that he was just part of a force reduction, but your company then put out an advertisement to hire someone to replace him on that job.

Earlier, you said all of the other BP wells in the Gulf of Mexico that had been completed are secure and are safe to operate. Do you still stand by that?

Mr. Hayward. I do.

Mr. Markey. Now, do you know that Judge Sporkin said that it is not true that the documents were completed when he substantiated Mr. Abbott's allegations? So how do you account for that, that you hire an ombudsman, he is a former Federal district court judge, he comes in, he does the evaluation, and he substantiates the whistleblower's allegations? How do you in any

way justify then firing the person who actually brought these issues to your attention?

Mr. Hayward. As I said, the investigation concluded that the drawings necessary for start-up were on the Atlantis facility. Judge Sporkin, our ombudsman, is investigating the issue of unfair dismissal, which is quite appropriate.

Mr. Markey. Well, I ask for you to provide a copy of the investigation which you are conducting, Mr. Hayward, for the record.

Mr. Hayward. We can do that.

Mr. Markey. Okay. We will put that in the record.

[The information follows:]

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Mr. Markey. I think, Mr. Hayward, that the only thing worse than one BP rig at the bottom of the ocean in the Gulf of Mexico would be two BP rigs at the bottom of the ocean.

I think this is just another example of you running through all of the red lights, all of the warnings. Judge Sporkin is one of the most respected people in this city. He has corroborated the charges that were being made by this now-fired employee who was raising safety concerns.

I am afraid, once again, it is a blistering, scalding indictment of the lack of a culture of safety that you had at BP. And I just think that it is something that has to end before we see another disaster.

Thank you, Mr. Chairman.

Mr. Stupak. Thank you.

Before I go to Mr. Latta, let me ask unanimous consent that we have the document binder be entered in the record, provided that the committee staff may redact any information that is business proprietary, relates to privacy concerns, or is law-enforcement sensitive.

Mr. Markey. Mr. Chairman, may I just ask for 30 seconds, one additional question?

Mr. Stupak. Let me finish what I am doing here.

Mr. Markey. Okay.

Mr. Stupak. Without objection, the documents will be entered

into the record.

[The information follows:]

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Mr. Markey. May I just ask --

Mr. Stupak. It has to be really quick, Ed. You never ask a 30-second question.

Mr. Markey. Mr. Hayward, will you shut down the BP Atlantis until these safety questions have been answered?

Mr. Hayward. I believe they have been fully resolved, Congressman.

Mr. Markey. I do not think that that is the case.

Thank you, Mr. Chairman.

Mr. Stupak. We will take time for Mr. Latta. Mr. Latta for questions, please?

Mr. Latta. Thank you, Mr. Chairman.

If I could just follow up with some questioning that Ranking Member Burgess was on, talking about the schedule.

My first question is, what is the process that BP executives have developed when it comes to schedules, especially for the offshore wells in the gulf? Is there a schedule? Who makes the schedules?

Mr. Hayward. The schedule, the drilling program for the -- is that the --

Mr. Latta. Right. Who is in charge of the scheduling for those?

Mr. Hayward. The drilling programs are created by the engineering team, overseen by the vice president for drilling and

completions and the business unit leader and, in this case, the exploration manager in the Gulf of Mexico.

Mr. Latta. Now, are you consulted in the development and maintenance of those schedules?

Mr. Hayward. I am sorry?

Mr. Latta. Are you consulted at all in the development or maintenance of those schedules?

Mr. Hayward. I am not.

Mr. Latta. Is there a committee higher up that is then consulted at BP about those schedules?

Mr. Hayward. About the schedules of drilling?

Mr. Latta. Correct.

Mr. Hayward. There are several groups that would look at the schedules of drilling.

Mr. Latta. Now, I guess in a corporate structure, how high up would those committees be or those groups that would be looked at that?

Mr. Hayward. It would be within the Gulf of Mexico business unit.

Mr. Latta. Let me ask this: Would a well of this type, being as deep as it is, being as tough as it would be, it sounds like, to drill, would that elevate it to a higher standing that folks higher up at BP would be consulted on it? Or is it just still kept in the gulf with that region right there?

Mr. Hayward. The design and operating practices would be

signed off at the level of the vice president of drilling and completions in the Gulf of Mexico.

Mr. Latta. Okay. So you would never be consulted on that then?

Mr. Hayward. No.

Mr. Latta. Thank you very much, Mr. Chairman. I yield back.

Mr. Stupak. Thank you, Mr. Latta.

Mr. Braley for questions, please.

Mr. Braley. Mr. Hayward, at the beginning of this hearing, I showed you a couple of short video clips from two of the women who testified last week at our field hearing in Chalmette, Natalie Roshto and Courtney Kemp. And one of the questions they posed during that hearing was what they would tell to their children about why their fathers died on this Deepwater Horizon rig.

You began your testimony a very long time ago today with these words: "The explosion and fire aboard the Deepwater Horizon and the resulting oil spill in the Gulf of Mexico never should have happened."

What do you think that those two young mothers should tell their children about why this happened, based on what you know?

Mr. Hayward. Based on what I know, that this was a tragic accident involving many failure mechanisms. That is the reality. That is why this happened.

Mr. Braley. Is there blame to go around among all of the companies that were working on that well site?

Mr. Hayward. I don't believe now is the time to try and apportion blame. I believe now is the time to try and understand what happened. And that is what the investigations are trying to do.

Mr. Braley. Well, the reason I am asking that is because, during other congressional hearings, there has been finger-pointing on. And I assume you have been following what has been going on in the hearings and are aware of that.

Mr. Hayward. As I said, I don't believe that this is the time to finger-point or apportion blame. I believe this is a time to understand fully what caused this accident such that the industry and BP can learn for the future.

Mr. Braley. Well, I am glad you brought that up, because one of the things that BP has been taking responsibility for is the cleanup costs and the payment of all legitimate claims. We have heard that phrase over and over again.

And we have also seen press accounts where BP spokespeople have said, as the responsible party, we are required to handle those claims, and then we will wait until some later date to deal with the apportionment of responsibility among the various parties.

Are you aware of that?

Mr. Hayward. I am.

Mr. Braley. Well, let's talk briefly about the claims process and some of the problems that are currently part of that

process.

One of the things we know is that, under the oil pollution claims process, a claimant can't file suit until a presentment of claim is made. Are you familiar with that process?

Mr. Hayward. I am not familiar with the details.

But what I can say is we have set up an independent claims facility under Ken Feinberg. He will have the full authority to adjudicate on claims. Within that system, there will be an opportunity for anyone to appeal to three judges.

That system does nothing to deny anyone any rights with respect to any other claims process. It is simply a way of expediting the claims process such that it is fair, efficient, and fast.

Mr. Braley. I want to talk to you about that, because this is what I have been hearing from people involved in the preliminary claims process with BP. I have been informed that BP's position, under their current claims process, is that a submission of a claim is not a presentment for the purpose of beginning a claims process under the Oil Pollution Act. And the reason BP has taken that position is because they do not consider it to be for a sum certain if there are future losses that have not yet been determined or if there are ongoing economic losses with no date certain.

Are you aware of this process?

Mr. Hayward. I am aware in general terms of the process.

Mr. Braley. Well, do you understand the problem that creates for somebody with an ongoing economic loss, like Ronnie Duplessis, the shrimp boat officer who testified at our hearing last week, who is without work because the fishing beds that are part of what he does for a living are not available to him?

Mr. Hayward. We are endeavoring -- I believe we have put in place a process whereby we pay money and it means nothing about future liabilities.

Mr. Braley. Yes, but my question --

Mr. Hayward. No one has given away the opportunity to claim future liabilities.

Mr. Braley. I am not implying that. I am talking about a process that actually puts money in the hands of people who desperately need it because their income source has been destroyed by this oil disaster at your rig.

Do you understand their frustration, when they have gotten a check, in the case of Mr. Duplessis, for \$5,000, which represents a very small amount of the monthly gross income he gets from his business, to feed his family?

Mr. Hayward. I understand fully. I have spoken to many people on the gulf coast, to fishermen, to shrimpers, to small hotel owners, and I --

Mr. Braley. Can you understand, then, sir, why they are frustrated? If BP is taking the position in this claims presentment process that every time they cannot define their

future economic loss they have to submit another claim as soon as that loss becomes defined for a fixed period of time and then another claim and another -- do you understand how that could be frustrating?

Mr. Hayward. I do, Congressman. And --

Mr. Braley. So --

Mr. Hayward. -- in terms of the last weekend -- if you would just let me finish, please -- we have put in place a process for small businesses where they can project forward for the next month what it is they expect to lose by way of cash flow, and we will pay it now.

I am very conscious of the issue of small businesses who have ongoing cash-flow demands. So we are trying very hard to ensure that money is paid in advance for commitments for people have already taken, rather than in arrears. And that is what we will continue to do.

Mr. Braley. And will that be part of the fund that Judge Feinberg is administering?

Mr. Hayward. That process will be transferred into Ken Feinberg's process, and that is the basis on which we will move forward.

Mr. Braley. Thank you.

Mr. Hayward. And in the course of the last week, we have paid out over \$15 million to small businesses on that basis.

Mr. Stupak. Thank you, Mr. Braley.

Mr. Welch for questions.

Mr. Welch. Thank you, Mr. Chairman.

Mr. Hayward, can you point to any single bad decision that was made in connection with Deepwater Horizon?

Mr. Hayward. As I have said often today, I am not prepared to point today, with a half-complete investigation, as to what was and was not a bad decision.

There are many components to this accident, to do with, as I have said, the casing, how it was run; the cement job, how it was conducted; integrity tests that may or may not have been well-interpreted. At all stages, everyone on the rig decided that the right thing to do was to continue. We need to understand how that came about.

Mr. Welch. I understand that. But, with the benefit of hindsight and whatever investigatory work has been done, both by you and by others, at this moment, 57 days after this event, is there anything you can identify that was done wrong?

Mr. Hayward. I am not able to draw that conclusion at this time.

Mr. Welch. Okay.

Well, yesterday, Mr. Hayward, I think BP took a very constructive step in agreeing to deposit \$20 billion in an independently administered fund to compensate victims and to pay for the cleanup. It was a first step in establishing confidence in BP, confidence that BP's words would be matched by their deeds.

But today, regrettably, your appearance here has done a good deal, at least for me, to erode that confidence. We know you are not an engineer, and we know that you were not on the Deepwater Horizon. But your answer 65 times that you don't know to questions that were reasonably posed to you on both sides of the aisle erodes confidence; it doesn't inspire confidence.

You know, the question that any company has to ask itself is whether it has strict procedures in place to make disciplined decisions that give it confidence that, at a critical moment, where the lives of its workers and the investment of its shareholders is at stake, critical judgment will be exercised. And that is the obligation of the CEO. However it is you accomplish that ability to hold your workers accountable and support them, that is the job of the CEO, whether it is a small company or a large company.

And at that very critical moment when that well was going to be capped and decisions had to be made about the ceiling of the well, whether to use a cheaper and quicker casing design, whether to use more or fewer casing centralizers, whether to run a critical cementing test, whether or not to circulate drilling mud, it does not appear that anybody was in charge.

And that is the erosion of confidence, because the lack of procedures, the lack of people being in charge, and resorting to the least-cost alternative clearly played a major role in this catastrophe.

I yield back.

Mr. Stupak. Thank you, Mr. Welch.

Mr. Scalise for questions, please.

Mr. Scalise. Thank you again, Mr. Chairman.

Mr. Hayward, going back for a few more of the questions that we continue to have, why was a cement bond log not performed?

Mr. Hayward. I don't know why a cement bond log wasn't performed. I wasn't there. I didn't take the decision. What I understand --

Mr. Scalise. I know you have to --

Mr. Hayward. What I understand from discussion with the investigation team is that the conclusion reached on the rig by BP, Transocean, was that they had a good cement job, that they had got returns at the surface, that the right volume had been pumped, and they had pressure integrity.

Mr. Scalise. And they based that on readings of some other test that they performed, or --

Mr. Hayward. On the basis of those three things, they determined that they had a good cement job. And it was on that basis --

Mr. Scalise. So there is no BP procedure to perform that test. You leave it up to the discretion of the company man on the rig or somebody else on the rig?

Mr. Hayward. There is no requirement to perform a cement bond log.

Mr. Scalise. Are you going to change that policy and make it a requirement?

Mr. Hayward. It is one of the things we need to look at in the light of this accident.

Mr. Scalise. When we talk about, you know, all these different ideas -- and, like I said, I just gave you some. We get lots of them. I tried to filter some out. I don't know if you have seen the presentation of people putting hay in the water, and the oil comes on to the hay and the water doesn't, and then it rolls up and you can clear that away -- all kinds of ideas like that.

What is your process for all of these people that are submitting ideas, many of which have tremendous merit and then none of which we see being used in the water?

Mr. Hayward. Well, I think, with respect, we have used many of the ideas that have been submitted, Congressman.

We do have a process, and there are thousands, hundreds of thousands, actually, of ideas that have been submitted. And we have a process to work through them and to utilize them. And we have used very many that have been submitted from individuals across the United States.

Mr. Scalise. Well, hopefully we will be able to get some more of those implemented. Because, as I said earlier, there is not enough that you can do. If you have more ideas, try them all, because there is a lot of oil in the gulf. And if something

works, do more of it. If it doesn't work, you can go on to something else.

Is that structure just BP's structure? Is there some unified command --

Mr. Hayward. It is part of the unified command structure.

Mr. Scalise. So are there any Federal agencies involved in that?

Mr. Hayward. There is a team of people. So as e-mails and suggestions come in, they are forwarded to a team of people, and they are evaluated and implemented based on that team of people that sits within the unified command structure.

Mr. Scalise. Well, local people that are affected by this, we are still hearing from lots of local people -- fishermen that can no longer fish; people that have oyster-processing companies and now some of those oyster beds are closed so they have no oysters to process; boat captains. These are all people that don't want to just get some unemployment check. They want to work, but they can't work.

Many of them are frustrated that they are not being engaged to work on the cleanup. And they are the ones most vested; they are the ones on the ground who want this cleaned up with the most urgency. And it seems like many of them are frustrated that they are being shut out, and then they are seeing people bused in from out of State that come in in the day and then they are bused out again at night that just don't have the same kind of passion. And

it is kind of confusing. Why are they not being employed, if they want to work, if they are there on the ground?

Mr. Hayward. We made every effort to use everyone locally who wants to participate. We have almost 10,000 Vessels of Opportunity -- the local fishermen employed in the Vessels of Opportunity program. And we have --

Mr. Scalise. I was notoriously told -- and this was reported in many media accounts, but I have actually spoken to the parish official on the ground who actually did this. Just a few weeks ago, there were 50 of those boats, Vessels of Opportunity, that were contracted by you that were supposed to be putting out boom. Those boats were sitting idle at the dock, not putting out boom, as oil was coming into our marsh. And this parish official actually went out and they commandeered a number of those boats and just went and put it out themselves.

There is no excuse for that. What kind of method do you all have in place? If you are just giving people a check and telling them to sit the boat at the dock -- we don't need the boat at the dock. We need the boat out putting the boom so that the oil doesn't get into the marsh.

And, again, it gets into this sense of urgency. It is not just about writing checks. I mean, that is important, but it is even more important that the work gets done in a quick time frame. And that is not what is happening. There is no quick turnaround. And then things like that continue to happen.

Are you going to change something on the ground to emphasize that it is not just about running a PR campaign? We have things that have to happen quickly because there just isn't the time for days to go by with these kinds of delays.

Mr. Hayward. Our focus is to continue to improve the quality of the response and the engagement of the people in the initial area. It has been the biggest challenge, and we continue to work it very hard with the incident commander Thad Allen and the Coast Guard.

Mr. Scalise. Let me ask you, is the casing cracked or damaged below the sea floor?

Mr. Hayward. We don't know that, of course, because we haven't been able to get into the well.

Mr. Scalise. There is nothing that you have seen that would show that?

Mr. Hayward. We have no way of knowing that.

Mr. Scalise. Okay. And I know --

Mr. Stupak. Time, Steve.

Mr. Scalise. And I apologize.

Mr. Stupak. Go ahead, one more. Go ahead.

Mr. Scalise. Mr. McKay was here, testifying at the same table you are at, on Tuesday. He said, quote, "The spill response has been pretty effective." And I strongly disagreed with him in that hearing on Tuesday.

I would like to know if you agree or disagree with his

statement that the still response has been pretty effective.

Mr. Hayward. I think if any oil gets to the shore to impact the environment, that it is not possible to declare a spill response effective.

In many dimensions, we have launched, implemented a very, very significant effort. It has been recognized, as I said, by the Coast Guard as beyond anything anyone has ever achieved in the past. But --

Mr. Scalise. And this disaster is beyond anything ever achieved -- I just hope to give you that sense of urgency. We need the sense of urgency. We can't have days --

Mr. Stupak. Time has expired.

Mr. Scalise. Thank you, Mr. Chairman. I yield back.

Mr. Stupak. There is nothing to yield.

Ms. DeGette for questions, please.

Ms. DeGette. Thank you, Mr. Chairman.

Mr. Hayward, you told both Mr. Dingell and Mr. Scalise that the conclusion BP reached was that there was a good cement job, there was no requirement to perform the cement bond log test, and you would look at whether that needed to be changed in the future.

So my question to you is, are you aware that Halliburton's chief safety officer, Tim Probert, told a Senate committee last month that a cement bond log test is, quote, "the only test that can really determine the actual effectiveness of the bond between the cement sheets, the formation, and the casing itself"?

Do you agree with that statement?

Mr. Hayward. I am aware of his testimony, and I --

Ms. DeGette. And do you agree with that testimony?

Mr. Hayward. I am not qualified to agree or disagree with that statement.

Ms. DeGette. Well, is your technical expert, Mr. Zanghi, who is here with you today, qualified to answer that question?

Mr. Hayward. I can ask him.

Ms. DeGette. Please.

Yes?

Mr. Hayward. Mr. Zanghi is not a cement bond expert.

Ms. DeGette. I am sorry, I can't hear you. Can you move the

--

Mr. Hayward. Mr. Zanghi is not a cementing expert, but he is a drilling engineer. And he --

Ms. DeGette. He is a drilling engineer. And has he had experience with cementing as a drilling engineer?

Mr. Hayward. I am sure he has.

Ms. DeGette. Okay. But yet he doesn't know whether this test is the only test that can determine the actual effectiveness?

Mr. Hayward. The fact is that the team on the rig concluded that they had three other mechanisms to determine that they had --

Ms. DeGette. What were those mechanisms?

Mr. Hayward. It was the volume that had been pumped --

Ms. DeGette. I am sorry?

Mr. Hayward. The volume of cement that had been pumped, which told them essentially where in the world the cement had gone; the returns to the surface -- that is to say, the cement had return to the surface; and a pressure test that confirmed that there was ceiling.

Ms. DeGette. But also, as I mentioned in my first round of questioning, Mr. Hayward, the internal document, tab 6, page 9, which I had you refer to, said that, because of the long string approach, that you didn't do the other type of approach, "Cementing simulations indicate that it's unlikely to be a successful cement job."

So was that taken into account, when it was determined that the cement was likely to succeed?

Mr. Hayward. I clearly can't know that because I wasn't there, but one would --

Ms. DeGette. Yeah. Okay. I --

Mr. Hayward. -- assume that the team on the rig --

Ms. DeGette. I am sorry?

Mr. Hayward. I would assume that the team on the rig looked at the data and determined that they had achieved a successful cement job.

Ms. DeGette. But, now, the team on the scene sent the test crew away before the pressure testing was done. So how would they have known that the cement was going to hold before they even did the pressure testing?

Mr. Hayward. I can't answer that question.

Ms. DeGette. Would you mind supplementing your testimony to let us now how they would have known that?

Mr. Hayward. I can't interpret what the people on the rig were thinking at the time the decision was made.

Ms. DeGette. But you could ask them and have them tell us. Would you do that, Mr. Hayward?

Mr. Hayward. We can, certainly, as part of the investigation, do that.

Ms. DeGette. Thank you very much.

Now, I want to ask you, because previously I asked you how many deepwater wells that BP had -- or I asked you if you had knowledge of this well, and you said no. How many deepwater wells has BP drilled since you were CEO of the company, in the last 3 or so years?

Mr. Hayward. I don't know the precise number. It is probably on the order of 25 or 30 a year.

Ms. DeGette. You might be surprised to know, of the deepwater wells, that it is a far fewer number than that. But you don't know the exact number, correct?

Mr. Hayward. I don't know the exact number.

Ms. DeGette. Okay.

I want to just ask you one last question. We have been hearing a lot from people, from health care workers and from public health folks, about the potential health consequences.

We have been talking a lot today about the economic losses and this fund to reimburse people for economic losses.

I want to ask you, will BP also commit to paying for the long-term health care costs incurred by workers and residents of the gulf as a result of this spill?

Mr. Hayward. We have created a fund of \$20 billion to cover the claims resulting from --

Ms. DeGette. Let me ask you again. Let me just ask you again. I know there is the fund, and we commend you, and we are glad you did that.

But as part of the reimbursement, is BP committed to reimbursing the workers and the residents of the gulf for their long-term health care costs incurred as a result of this spill? Yes or no?

Mr. Hayward. If the independent adjudicator determines that those are valid claims, they will be paid.

Ms. DeGette. So the only way you intend to pay those claims is if it comes through this fund. Is that your testimony today?

Mr. Hayward. Twenty billion dollars is a very large sum of money to pay claims from.

Ms. DeGette. I am sorry?

Mr. Hayward. Twenty billion dollars is a very large fund to pay claims from.

Ms. DeGette. It is a large fund. And is it your view that part of what that fund will be used for is to pay people for their

long-term health care costs incurred as a result of this spill?

Mr. Hayward. That will be a decision for the independent adjudicator.

Ms. DeGette. Well, if they asked you what you thought, would you say, yes, the health care costs should be paid for from this?

Mr. Hayward. I think that is something that I will leave him to decide. That is why we have appointed an independent adjudicator.

Ms. DeGette. So -- see, this -- if I may, Mr. Chairman?

Mr. Stupak. Just another minute.

Ms. DeGette. Yeah. If I may, Mr. Chairman, this is what is concerning members of this committee and others about BP's response here. Because you had executives who have sat here and said that we will pay for all reasonable costs incurred. But then when we ask direct questions, for example, about health care costs, you evade the questions.

And all I want to know is, as part of the reimbursement of all reasonable costs, health care costs that are incurred by workers and residents of the gulf? It is not a difficult question, sir.

Mr. Hayward. I believe that if they are a direct consequence of the oil spill, then the independent adjudicator will find them to be claims that are legitimate under the fund.

Ms. DeGette. And would you support that, sir?

Mr. Hayward. I clearly would. But it is --

Ms. DeGette. Thank you very much. Thank you very much for your coming here.

Mr. Hayward. -- it is for the independent adjudicator to make the decisions. That is what we are trying to create.

Ms. DeGette. Well, just --

Mr. Stupak. Okay, okay, okay. Members are going to have 10 minutes -- excuse me -- 10 days to submit additional questions if they want, okay? Because, I mean, we could go here all night, and I am sure people would like to, but that concludes all of our --

Dr. Burgess. Mr. Chairman, I do want to ask one last question on the letter that you and Mr. Waxman --

Mr. Stupak. The June 14th letter, yes.

Dr. Burgess. -- the June 14th letter that, Mr. Hayward, you indicated that you were briefed on this letter from Mr. Waxman and Mr. Stupak; is that correct?

Mr. Hayward. That is correct.

Dr. Burgess. Is there any part of this letter that you actually dispute? I know you wouldn't really answer Mr. Waxman's questions, but are there parts of this letter that you actually do not agree with?

Mr. Hayward. I think it is a statement of your conclusions at this time.

Dr. Burgess. But do you dispute the facts as stated in the letter?

Mr. Hayward. I don't dispute any of the facts, not any of the facts. And as I have said all along, I would like to await drawing conclusions --

Dr. Burgess. Yes, I understand.

Mr. Hayward. -- until all of the investigations are complete.

Dr. Burgess. If there are facts that you dispute, you would provide those to us within this --

Mr. Hayward. I certainly will.

Mr. Stupak. I am sorry, but I have to call this to an end, because then down on this side they are going to want more questions and I will want more questions, and we will be here until at least midnight, and we are not going to do that.

Dr. Burgess. That is why we are the most important committee in Congress.

Mr. Stupak. I agree we are the most important committee in Congress, but even important things must come to an end. And right now it is coming to an end.

Mr. Hayward, I want to thank you for being here today. You did come voluntarily, and we appreciate that.

However, I think it is fair to say that Members are frustrated because the answers we have heard time and time again are phrases like "I wasn't involved in that decision," "I don't know," "I can't recall," "we need to wait for the results of the investigation." And we had really hoped, by giving you

information and the June 14th letter, you would be better prepared to answer our questions.

I think the evasiveness of your answers only serve to increase the frustration, not decrease the frustration, not just of Members of Congress but of that of the American people.

So, I will thank you for being here.

This is going to conclude our hearing. I want to thank all Members for participating.

The document binder is made part of the record.

And that concludes our hearing. This meeting of the subcommittee is adjourned.

[Whereupon, at 5:30 p.m., the subcommittee was adjourned.]