

BP and the
Reckless Pursuit
of Profit

DROWNING IN OIL

LOREN C. STEFFY

AWARD-WINNING BUSINESS COLUMNIST,
THE HOUSTON CHRONICLE

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Pursuit of Profit



LOREN C. STEFFY



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PREFACE

I first knew BP as a tiny metal truck. It was a green-and-yellow Dodge tow truck with a solitary red light atop the cab and the BP shield logo on the side. My brother had one, too. As children we both played with Matchbox cars, the British-made die-cast replicas of real vehicles. The speedy, durable little cars inevitably had “accidents” that required frequent towing, and the red plastic hooks on the BP wreckers latched beautifully under the wheels of the other cars.

Our collection also included a BP tanker truck and, later, a plastic model of a BP service station. At the time, in the early 1970s, it was about all the contact that anyone in the American public had with British Petroleum.

Even then, BP was among the world’s biggest oil companies, but its presence in the United States was largely unseen. It was a partner in the Trans-Alaska pipeline, and it later bought Standard Oil of Ohio; but it remained largely hidden from the American consciousness.

Public distrust of oil companies in the America grew steadily during the final decades of the twentieth century. A blowout from an offshore platform near Santa Barbara, California, gave rise to the environmental movement, and oil companies

became its most reliable villain. As prices soared under the foreign oil embargoes of the 1970s, the public began to believe that Big Oil was in cahoots with OPEC, the Middle Eastern cartel that suddenly demonstrated it could bring the world's greatest industrialized nation to its knees with the turn of spigot. In 1989, the *Exxon Valdez* ran aground in Alaska's Prince William Sound, spilling 11 million gallons of oil and cementing the oil industry's demonic public image. BP was the biggest owner of the consortium that operated the pipeline feeding the Valdez terminal.

Still, BP remained little more than a logo on a Matchbox truck to most Americans.

Only in 1998, when it bought Amoco in the biggest industrial merger in history, did it begin to move into the spotlight of American business. Amoco, after all, was one of the fragments of John Rockefeller's Standard Oil, busted up by the U.S. government in 1911.

The Amoco acquisition gave BP a visible presence in America, with a string of branded gasoline stations and the country's third-biggest refinery. Within a few years, BP would be the largest retailer of gasoline in America, and second only to Exxon Mobil in market value among publicly traded oil companies.

BP had moved to the big stage of global business. Under its chief executive, John Browne, it unveiled a bold strategy to push the company "beyond petroleum." BP, whose logo had long sported the color green, would now become "green" in the environmental sense. The familiar shield was transformed into a leafy green-and-yellow sunburst.

Browne, essentially, tried to position BP as the anti-Exxon in the minds of the public. It was a brilliant and, initially, successful strategy. But something was terribly wrong inside BP.

Beneath the green veneer lurked festering and fundamental problems that would, quite literally, explode before a horrified public. The warning signs predate the explosion aboard the *Deepwater Horizon* by more than a decade.

I began covering BP as a columnist for the *Houston Chronicle* in 2005, after an explosion at its Texas City refinery near Houston killed 15 people and injured hundreds. I have watched the company try to move past that disaster, and I have witnessed some of the triumphs shared by its employees as it met the incredible technological challenges of oil exploration and production. I have also seen the terrible cost of BP's troubled culture to employees, contractors, and their families. I've listened to top executives promise change, and I've seen the disturbing patterns that emerge across its operations.

Somewhere, packed away in an upstairs closet, my Matchbox wreckers with their BP shield sit in their case. Like BP's benign corporate anonymity, the childhood innocence with which I once viewed them is long gone.

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PIERCING THE FIRES OF HELL

Night settled across the Gulf of Mexico about 40 miles from the coast of Louisiana. A sliver of a moon rose above the shimmering water, reflecting off the translucent pillows of jellyfish that bobbed just below the surface. The calm water lapped gently against the giant gray steel pylons that kept the *Deepwater Horizon* drilling rig suspended above an oil well a mile below the surface.

The *Horizon* was a massive feat of engineering, a portable steel boomtown for 126 people. The rig had meandered from ocean to sea to gulf, from one oil hot spot to the next, chasing some of the largest deposits of crude and drilling some of the deepest wells of all time. Technically, she was a ship, with engines that could propel her at about four knots and eight underwater thrusters that kept her positioned over the wellhead when she was at rest. The platform was bigger than a football field, capped by a drilling derrick that towered 20 stories above the main deck. Her owner, Transocean Ltd., had spent a half-billion dollars building her, and she could float in as much as

10,000 feet of water and still drill some 30,000 feet below the earth's surface—deeper than Mount Everest is tall. She was part city and part drilling machine, and she was about to become a flaming tomb.

Maybe 130 other vessels in the world could do what the *Horizon* did. She was special. Built in a Korean shipyard in 2001, she was one of the most advanced weapons in man's insatiable quest for oil. In recent years, she had been working mostly in the Gulf for BP, the British oil company that was developing some of the deepest wells in these waters. She'd hit the Tiber field the previous fall, drilling the deepest well in history at more than 35,000 feet. She had also drilled wells in BP's other two Gulf showcase fields, Thunder Horse and Atlantis, and since February, she'd been positioned over the Macondo prospect.

The Macondo was near a geological formation known as the Mississippi Canyon, an underwater crevasse in the central Gulf about 4 miles wide and 75 miles long. Companies had been drilling in the canyon since 1979, but BP was pushing the technological boundaries, moving to ever-greater depths. The government had issued a permit in March 2009, and one of the *Horizon*'s sister rigs had begun drilling in the fall. A late hurricane, though, had damaged the rig, so that it couldn't complete the job. The *Horizon* had moved in to finish the drilling. At the end of a mile-long pipe that had been fed down from the derrick, a drill bit that looked like three metal softballs made from the soles of cleated baseball shoes, grinding in unison, had punctured the seafloor and churned through the rock beneath. The bit had ground its way through almost two and a half miles of earth until it struck an ancient graveyard of dinosaurs that had long since decomposed into a massive underground pool of petroleum. It had been a rough ride. The Macondo was

fussy, like an infant after mealtime, and the pressure and gas rose like burps from deep in the ground, kicking at the drill pipe and causing shudders that could be felt on the rig above. One BP employee, monitoring the drilling process from back on shore, had referred to the well as a “nightmare.” Another described it as “crazy.”¹ For BP, it was worth it. Macondo had the promise of being a prolific reservoir of oil, the type of huge find that’s referred to in the industry as an “elephant.” It was exactly the sort of high-risk, high-reward prospect that BP liked, even if the well’s crankiness had slowed the drilling process. Macondo and wells like it represent the best hope for finding new oil deposits in America. Unlike the harsh climates of the Arctic, the Gulf of Mexico is warm most of the year, and, aside from hurricanes, it is a relatively easy place to drill. That convenience and the discovery of finds like the Macondo were driving demand for more drilling. For decades, the offshore industry had coexisted with the fragile ecosystem of the Gulf, home to some of the world’s most prolific seafood production, without major problems. The last significant spill had been in the late 1970s, when a well in Mexican waters blew out and tainted beaches in south Texas. Tens of thousands of wells had been drilled since then, with ever-improving and safer technology. The need for new oil deposits in friendly waters, combined with the industry’s safety record, had eased public concern over offshore drilling. Less than two months after the *Horizon* arrived at the Macondo, President Barack Obama had opened vast new areas of the Gulf, parts of the eastern seaboard, and segments of offshore Alaska to new drilling. The deep water was about to get busier.

As night settled in on April 20, though, none of the crew was thinking about new neighbors barging in on the *Horizon*’s solitude. A half-dozen BP and Transocean supervisors had

arrived by helicopter earlier in the day to celebrate seven years of impeccable safety on the rig. BP was a company that knew the painful cost of ignoring safety. Just a month earlier, the company had marked a bleak anniversary—a refinery explosion five years earlier near Houston that had killed 15 workers and injured hundreds more. After that tragedy, and after the harsh findings of the investigations that followed, BP had enacted sweeping new safety procedures. A rig operating without an accident deserved special praise. By the time the helicopter ferrying the BP managers had landed, things were winding down on the drilling of the Macondo well. The *Horizon* crew had struck what appeared to be a sizable reservoir of oil, and it was now in the final stages of its task, preparing to cap the well and move the rig to another site. Once the *Horizon* was gone, BP would tie Macondo into a nearby underwater pipeline and begin pumping its oil toward shore. That, however, wasn't the *Horizon* crew members' concern. They just drilled the wells; they didn't stick around for "first oil." Both the *Horizon* crew and BP were ready to move on. The Macondo's crankiness had set them behind schedule by a month and a half, and nowhere was lost time more costly than on an offshore rig. BP was spending about a half-million dollars a day for the *Horizon*, and the delays had pushed the project more than \$20 million over budget in rig costs alone.



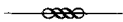
Stephen Stone was no drilling expert, but even he could tell that things weren't going smoothly. Stone had joined the *Horizon's* crew more than two years earlier, working as a roustabout, which means that he did a variety of jobs and specialized in none. Stone, whose dark beard framed boyish features, mostly assisted crane operators and helped to pump a heavy fluid of

clay and chemicals known as “drilling mud” into the well bore. Stone was coming to the end of his two-week stint aboard the *Horizon*. In another day or so, he’d be back on shore and in the arms of his redheaded bride, Sara, whom he had married just six months earlier.

During most of Stone’s hitch, the drilling mud had been disappearing in the hole. That wasn’t helping the Macondo’s budget problems. Drilling mud may sound mundane, but it’s a highly specialized mixture designed to lubricate the well and tamp down the pressure. The recipes for mud are carefully guarded by the service companies that make it. For wells like Macondo, BP would be paying about \$10 million just for the mud. When a well loses mud, it can mean only a couple of things, and neither of them is good: either the underground formation is unstable, or the well was drilled too quickly, cracking the formation. At least four times during Stone’s hitch, the crew had been forced to stop pumping in mud and shoot heavy drilling sealant into the hole, which was supposed to close up any cracks in the formation.

By early afternoon on April 20, the BP “company men,” supervisors who were onboard the rig to oversee the drilling operations, decided that it was time to finish the process of capping the well. The drilling crew began pumping mud out of the hole and replacing it with seawater. While not as heavy as the mud, the seawater would help hold back the pressure from the reservoir once the well was capped with cement. Mud was so valuable that companies reused it, and as it came out of the hole, the crew pumped it over to the *Damon B. Bankston*, a supply ship that had arrived that morning. By five o’clock, tests showed a possible pressure imbalance in the well, and the mud pumping stopped. While the supervisors tried to figure out what was wrong, Stone, who’d been working on a nearby crane,

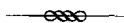
wrapped up his 12-hour shift and traipsed down the two decks to his cabin. He crawled into bed and fell soundly asleep.



At nine-thirty, Mike Williams was wrapping up his duties for the day. The chief electronic technician, Williams had spent most of his shift doing routine maintenance and inspecting a crane on the starboard side of the rig. Now, he was sitting at his desk in his small office, logging his maintenance reports and talking to his wife on the phone. Williams had risen through the ranks on the rig, starting as a roustabout like Stone three and a half years earlier. His phone conversation was interrupted by an announcement over the loudspeaker about gas levels on the rig. Did he need to go? his wife asked. No, Williams said. The balky well had been kicking back so much gas, as if it were fighting every step of the drilling process, that Williams had stopped paying much attention to the announcements unless the levels rose high enough that his crew members had to stop all “hot work”—welding, grinding, or anything else that might throw a spark.

As he continued the conversation, he heard a hissing sound that was growing louder, followed by a heavy “thump.” Williams’s shop was directly below the riser skate. The riser is a large steel tube that descends from the bottom of the rig to the top of the well and surrounds the drill pipe. It’s raised and lowered in pieces, and the skate is the device that feeds the pieces into the hole or pulls them out. They must be retrieving the riser, Williams thought, and they backed the skate up too hard. He assumed from the hissing that the force of the impact had ruptured a hydraulic line. He told his wife he’d better go check things out.

As he hung up the phone, he could hear beeping from the engine control room next door as the panels lit up in a chirping choir of warnings and alarms. He tried to make sense of the sounds—the hissing, the thump, the warning lights. What the hell was going on up there? He pushed back from his desk and realized that the onboard diesel engines, which generate power for the rig, were starting to rev. Given where the sound was coming from, he could tell that it was Engine Number Three, and it kept accelerating, revving way beyond anything he'd ever heard. Suddenly, the computer monitor on his desk exploded, and then the light bulbs in the shop began popping in succession, like a chain of firecrackers. As he grabbed the door to his shop, he heard Engine Number Three whining at a higher and higher pitch, rising to a crescendo that heralded disaster. Then it simply stopped. The silence hung in the air, like the moment when a diver first plunges into the water, and then it was ripped away by an earsplitting explosion.



Moments earlier, and not far from Williams's office, Chad Murray had stepped out of the pump room, which houses the huge machines used to pump mud from the well. Murray, the chief electrician, had been isolating power to one of them so that four other technicians could switch out a valve. The other men were working nearby, between two of the pumps. Murray stepped through the watertight door and latched it behind him. As he returned to his shop, he heard what sounded like a high-pressure noise, a hissing. He walked back to the pump room, and as he reached the door, the rig was shaken by a massive explosion. He scrambled to his feet, grabbed a flashlight from his shop, and spun open the latch on the pump room door. Black

smoke billowed out, enveloping him like a shroud. Everything inside was dark. The thick smoke swirled across the beam of his flashlight as if he were driving in fog. All he could see was devastation. Though he couldn't see them, he knew that the four men he'd been speaking with just moments earlier were most likely dead.

Miles "Randy" Ezell was lying in his bunk watching television when the telephone rang. Ezell was a toolpusher, a senior member of the drilling team, and one of the *Horizon's* original crew members. He'd spent 33 years working on offshore rigs, and the last 8 on the *Horizon*. Ezell had gone off duty a few hours earlier. The call was from Steve Curtis, the assistant driller on the drilling floor. "We have a situation," he said. "The well is blown out. We have mud going to the crown," which meant that the drilling fluid was shooting from the top of the derrick. Ezell was horrified. He'd left the drill floor earlier in the evening after getting reassurances from his relief that everything was fine. Curtis told Ezell that they were trying to shut in the well. "Randy, we need your help." Ezell grabbed his coveralls and stepped into the hallway. His boots and hard hat were in his office just across the corridor. People were standing around, but he barely saw them. He was riveted by tunnel vision—a singular focus on the danger that he knew faced them all. As Ezell stepped into the doorway of his office, an explosion wracked the room and threw him 20 feet into a wall.

Stephen Stone awakened with a start. At first, he wasn't sure what had roused him, only that it had been loud. Then the sleep cleared from his mind, wiped away by the cold realization that the noise had been an explosion. As that thought startled him