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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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May 2, 2007

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GREGG A. ROTHSCHILD, CHIEF COUNSEL

Mr. Robert A. Malone
Chairman and President
BP America, Inc.
200 Westlake Park Blvd.
Houston, TX 77079

Dear Mr. Malone:

We are in receipt of your April 30 letter (attached) requesting a postponement of the hearing scheduled for May 3, 2007, before the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce entitled "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?" This hearing had been planned for some time as a follow up to our September 7, 2006, hearing. It was intended to assess the adequacy of efforts BP and various regulators have taken to address the organizational and mechanical failures leading to the March 2, 2006, leak in the "Western Operating Area" transit line and the subsequent discovery of severe corrosion and leaking in the "Eastern Operating Area" transit line.

Your request for a postponement of the hearing is based upon your recent discovery that "information relevant to the September, 2006 hearing was not provided to the Subcommittee." In addition, this information was apparently neither disclosed to you nor Steve Marshall, the former President of BP Alaska, before your testimony at our September hearings. The discovery of this material has clearly raised questions about the adequacy of your response to the Committee, as well as previous spending decisions made by your company—concerns that you clearly acknowledge in your April 30 letter and that form the basis for your request for additional time to investigate both issues in more detail.

Despite numerous requests for such material, going back nearly a year, it was only on April 17, 2007, that BP provided the Committee with a number of BP documents which reveal important internal discussions suggesting a severe cost-cutting atmosphere existed in your crude oil production operations at Prudhoe Bay. On their face, this new material raises concerns that shortsighted cost-cutting may have led to the spills and corrosion problems in Alaska. Some of

the documents discuss stopping the injection of corrosion inhibitor to meet budget targets. Others suggest that other activities related to corrosion mitigation had to be reduced or put on hold due to budget constraints.

Equally troubling, these documents raise questions about the accuracy of Mr. Marshall's testimony when he suggested that "cost is not a consideration" as it relates to issues of both safety and integrity in Prudhoe Bay operations.

It is our understanding that significant redesign and rebuilding has already occurred on some of the key transit lines that failed last year. It is also our understanding that BP has made a number of management and personnel changes in Alaska, and that these efforts appear to be taking the company in a positive direction. We applaud your company for those undertakings. Nevertheless, to assess whether BP's new path forward will be successful, the Committee needs to explore whether the climate of top down cost-cutting affected the health, safety, or the environment of the Prudhoe Bay field and its workers. In order to make such a determination, we need you to respond to the questions raised by the newly discovered documents, as well as all previous requests for information made by this Committee.

As you know, in response to our receipt of the newly discovered documents, we forwarded to you another document request on April 30, 2007, which included: (1) documents that discuss whether BP managers ordered that corrosion inhibitor be turned off due to budgetary constraints; (2) answers to the question of if, when, and where corrosion inhibitor may have been turned off, and what consequences this may have had on program integrity; (3) records related to requests for smart pigging and maintenance pigging from officials in the Prudhoe Bay's Corrosion, Inspection, and Chemicals (CIC) Group from 2000-2005; and (4) e-mails sent or received by the CIC group related to reducing, suspending, or cutting back on corrosion inhibitor.

We are pleased that BP has promised to respond quickly to this request and accept BP's explanation that it needs "additional time to complete investigations and document searches, and to ensure the Subcommittee has all of the information it needs to complete its work."

Based upon your assurances that you need additional time to comply with our document requests and to be prepared to respond to the issues raised by the newly discovered internal BP documents, we have acquiesced to your request for a continuance and have rescheduled the hearing for 9:30 a.m. on Wednesday, May 16, 2007. At that hearing, we expect you and other BP officials to be prepared to address the following issues:

- BP's plan to rebuild and sustain the integrity of the oil pipeline system, including the Eastern Operating Area and Western Operating Area transit lines that failed and caused last year's shutdown. How is this effort progressing and what are the expected milestones for completion?

- Whether BP believes the environment of cost-cutting as apparently reflected in some of these documents affected the ability of workers to safely operate the Prudhoe Bay field and, in particular, ensure adequate corrosion control. To the extent BP believes these documents do suggest a climate where workers had to make difficult decisions between budget savings and program integrity, what steps does the company intend to take to prevent the reoccurrence of such an atmosphere?
- What role did top down cost-cutting play in both Texas City and Alaska? What changes is BP institutionalizing that would reflect the lessons learned from both Texas City and Alaska, as identified in the Baker Panel report, the Booz Allen Hamilton report, and the Chemical Safety Board Investigation report?
- How will BP ensure that there is no tolerance for retaliation against workers who may attempt to raise safety and health concerns? In addition, as new concerns arise, how will BP put in place a transparent mechanism to ensure they are resolved in a timely manner?

If you have any questions regarding this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Committee staff at (202) 226-2424.

Sincerely,



John D. Dingell
Chairman



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce



Robert A. Malone

Chairman & President

BP America Inc.
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April 30, 2007

The Honorable Bart Stupak
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Oversight and Investigations
Committee on Energy and Commerce
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U.S. House of Representatives
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Dear Chairman Stupak and Representative Whitfield:

A hearing currently is scheduled before the Subcommittee on May 3, 2007, as a follow on to the September 7, 2006 hearing regarding the Prudhoe Bay issues resulting from the two Oil Transit Lines (OTLs) on the North Slope of Alaska. For the reasons explained below, BP respectfully requests that the hearing be rescheduled.

First, it has recently come to my attention that information relevant to the September, 2006 hearing was not provided to the Subcommittee – or to the President of BP Alaska or me. By way of background, as you know, I commissioned an investigation into the reasons that the OTL leak detection Compliance Order by Consent (COBC) was not disclosed to the Subcommittee prior to the first hearing. While that investigation is not yet complete, I have received, reviewed and provided to the Subcommittee staff the Interim COBC Report.¹ The Interim COBC Report identified a breakdown in our response and preparation process that resulted in relevant documents not being provided. Some of these documents are the same documents that the Subcommittee staff has identified as raising questions on the impact of the budget process on operational decision-making during 2000 - 2005.

Second, some of the documents recently produced to the Subcommittee staff raise concerns about previous spending decisions that cause me concern. We need time to determine how the concerns and frustrations expressed by workers were ultimately resolved. For example, as set out in some of the documents, it appears that there were serious discussions about discontinuing injection of corrosion inhibitor into some of the Produced Water lines in 2001- 2004. I do not know whether this happened at all; or, if it did, for how long, or what was the impact on the lines. I want to have, and I want the Subcommittee to have, a complete understanding of what happened in this case and why.

¹ I am advised that the final investigation cannot be completed until all the relevant documents are reviewed and any necessary follow up interviews are completed.

The Honorable Bart Stupak
The Honorable Ed Whitfield
April 30, 2007
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Additionally, I was troubled to see in some of the documents the extent of the frustration being expressed by the workforce throughout the 2000-2005 time frames. I want to eliminate the frustration voiced in many of the documents by creating a culture in which workers are confident their concerns will be heard and addressed before they would ever reach the level of frustration expressed in these historical documents. This process takes time, but I believe that we are making changes in the way we manage our business, and in building a positive safety culture.

I recognize that the Subcommittee wants to ensure that BP fully understands what led to the situation in Alaska and that it incorporates the lessons learned into its processes going forward. I want to do that as well. In order to do that, I would request additional time to complete investigations and document searches, and to ensure that the Subcommittee staff has all of the information it needs to complete its work.

Finally, as we have explained to the Subcommittee staff on a number of occasions, BP is involved in a substantial document production process in cooperation with various governmental investigations of the Prudhoe Bay spills of 2006.² Despite enormous effort the database is not yet complete. In some cases, the searches may have to be refined. As a result some of our responses on specific issues are not yet complete, while certain questions may require additional information, research and investigation. This will also apply to responding to the document request that we understand the Subcommittee is submitting to us today.

It has always been my intention to be fully responsive to the Committee, and I apologize for the breakdown in our process that has occurred. For these reasons, I respectfully request that the May 3 hearing be rescheduled so that we are able to more fully develop the record prior to the hearing.

Regards,



Robert A. Malone

² As we said in our transmittal letter of April 17, 2007, we have created a searchable database of over 20 million documents, which we winnowed down in the interest of providing the subset of documents that appeared most relevant to the Subcommittee's interests. Our letter noted that we anticipated and welcomed additional questions. Following our further discussions with Subcommittee staff, we are searching for additional responsive documents and will invest the time and resources needed to provide them.