

Update on Gulf of Mexico Operations

Before the Offshore Operators Committee

June 1, 2005
Houston

Chris Oynes

Regional Director
Gulf of Mexico OCS Region
Minerals Management Service

Topics

- New Activities
- Review of Safety
- Where is SEMP
- Learning from Ivan
- Platform Assessment
- Platform Security
- Outlook for the Gulf

New Activities

- MMS issued a new NTL on hurricane and tropical storm evacuation and production curtailment on May 26, 2005 (NTL 2005-G06)
- MMS issued a new NTL on Archeology effective on July 1, 2005 (NTL 2005-G07)
- MMS issued safety alert 231 – warning of human engineering factors in 11 sub sea riser disconnects since 2000 – failure to implement written operating procedures

Review of Safety

Nationwide OCS Accidents

Calendar Years 2003 - 2005

	2003	2004	2005 <small>Ytd as of 5-2-05</small>
Fatalities	10	3	2
Blowouts	3	4	1
Collisions	14	17	5
Explosions	4	3	0
Fires	104	63	25
Injuries	41	47	14
Significant Spills	10	5	0
Chemical	1	1	1
Synthetic-Based Fluids	7	4	3

Safety Concerns

- Corrosion on equipment
 - Needs much more attention
 - Non-destructive testing may be just as expensive as fixing
- 4 SEMP areas
- Chemical and SOBM spills need attention
- With aging workforce – adequate training?

Where is SEMP?

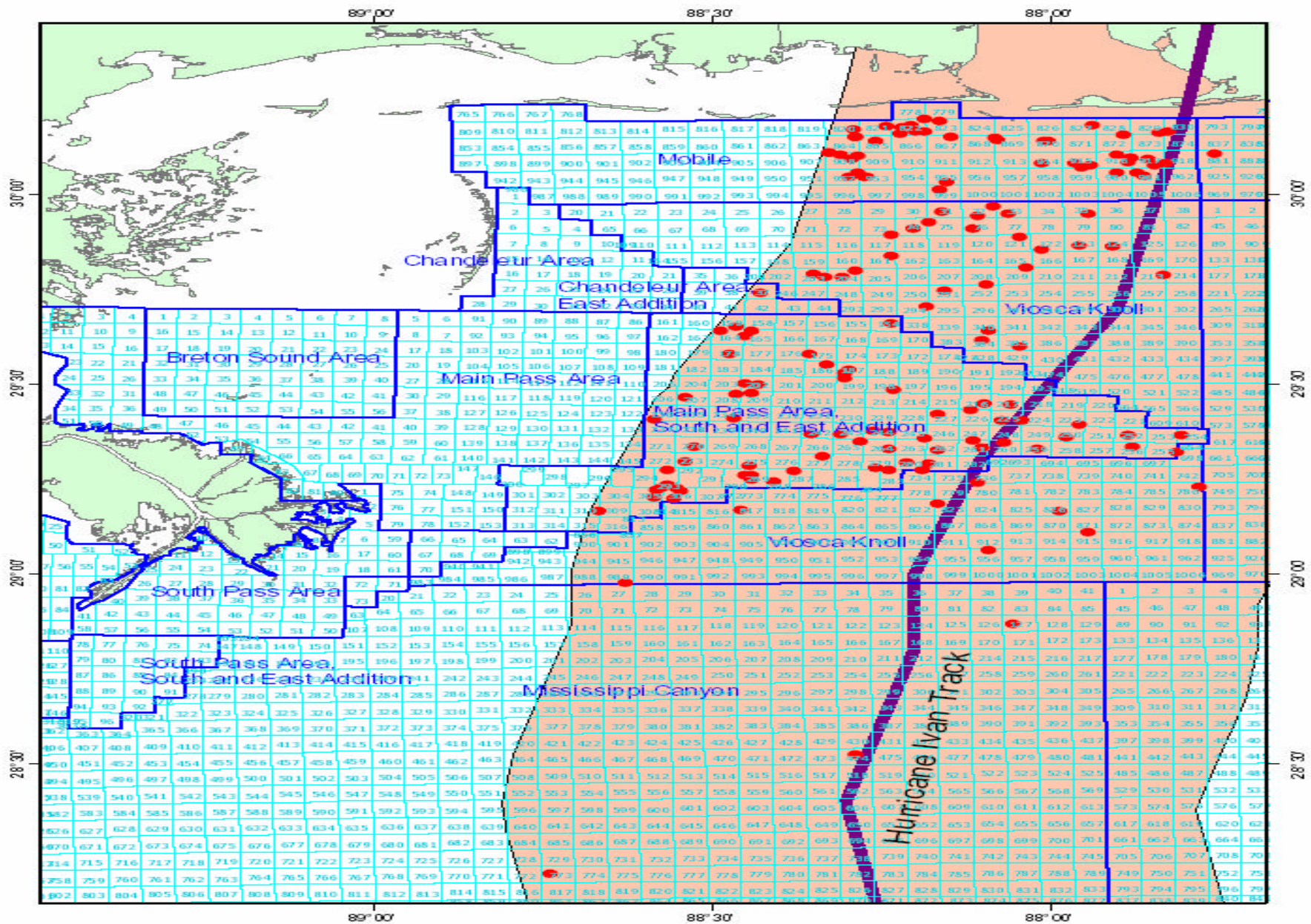
- API RP 75 – implementation surveys were done
- MMS review of performance and incidents
 - In 2003 – 2004 MMS issued 1,381 INC's related to SEMS. 99 percent related to 4 areas
 - Findings – areas of focus
 - Hazards analysis
 - Operating procedures
 - Mechanical integrity
 - Management of change
- MMS preparing a regulation (ANPR) raising questions about these 4 areas

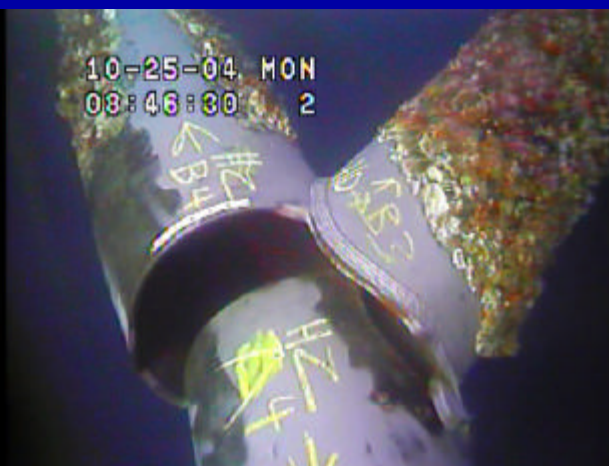
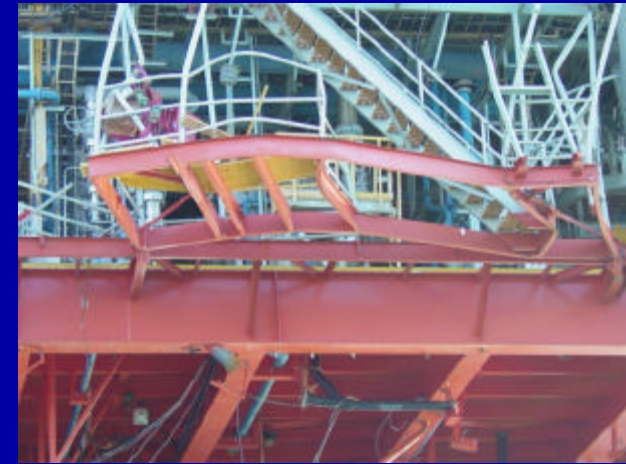
Learning from Hurricane Ivan

Hurricane Ivan

- Hurricane Ivan generated the highest waves ever measured or hindcast in the Gulf of Mexico
- API RP-2A 100-year wave conditions were exceeded at many locations
- Ivan generated 600-year wind speed at location of maximum

Platforms Requiring Level II Inspection





Hurricane Ivan

- MMS awarded six contracts to study various features of Ivan damage
 - Texas A&M, OTRC, -- Assessment of Drilling and Workover Rig Storm Sea Fastenings
 - Offshore Risk & Technology Consulting Inc.—Review of MODU Loss of Station Keeping Ability
 - Det Norske Veritas – Pipeline Damage Assessment
 - Energo Engineering Inc. – Assessment of Fixed Platform Performance in Hurricanes Ivan, Lili, and Andrew
 - Texas A&M, OTRC, -- Mudflows and Mudslides William Lettis & Associates – Hazard Susceptibility Mapping of Submarine Mudslides
- API /MMS/OOC Workshop on Hurricane Readiness and Recovery July 26-27, 2005 in Houston

Reported Pipeline Damage

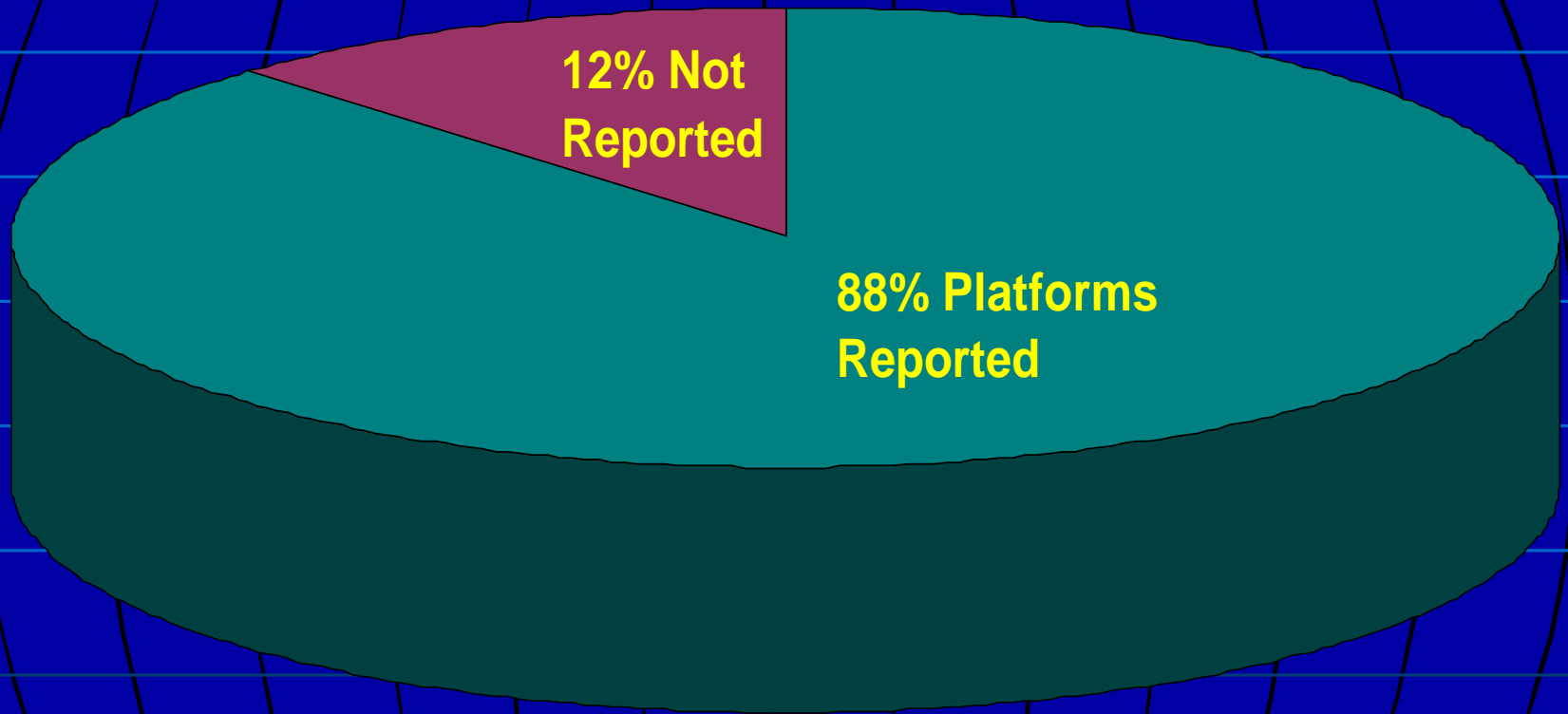
Reported Pipeline Damage Due to Natural Hazard				
Storm	No. of Reported Pipelines Damaged	Pipelines 16" or Greater in Diameter	No. of Pipelines w/Damage Caused by Mudslides	No. of pipelines w/Damage Caused by Mooring Drag
Hurricane Andrew	448	12	11	0
Hurricane Claudette	2	0	0	0
Tropical Storm Bill	1	0	0	0
Tropical Storm Isidore	2	1	1	0
Hurricane Lili	112	4	1	0
Hurricane Ivan	102	12	17	1

Platform Assessment

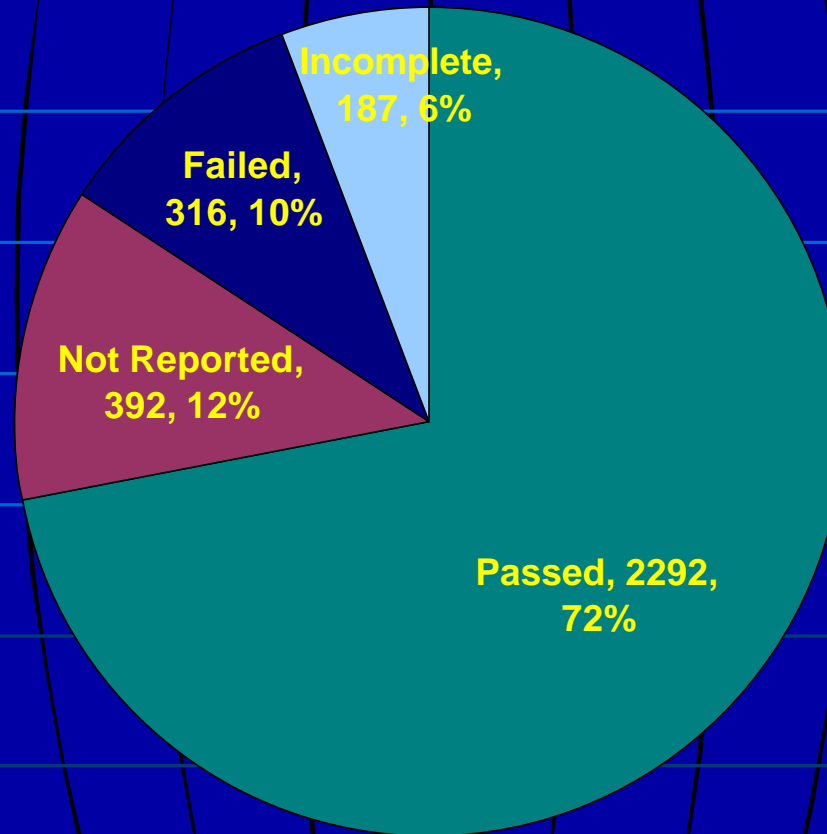
Under NTL 2003 – G16

- Determine if a platform assessment is needed by June 1, 2004 (based on five initiators)
- By June 1, 2005 complete a design level analysis for each platform that triggered one or more of the initiators
- Conduct an ultimate strength analysis by June 1, 2006

Assessments Reported



Assessment Screening Results



Maritime Security Plan Procedures for MMS

The MMS has developed notification procedures for MARSEC (106) and Non-MARSEC (105) facilities Located in the GOM. These are interim procedures until the USCG regulations are rewritten excluding MMS and other official agencies from the advance notification process for MARSEC facilities.

MMS Procedures

Non-MARSEC Facilities

- MMS gives 12 Hour advance notice for annual inspections. (Not a MARSEC requirement)
- Upon flight to facility, pilot will notify facility 20 minutes out from facility and again 5 minutes from the facility.
- Random or unannounced Inspections will receive a 5 minute notice to facility. If contact cannot be made, pilot will circle the facility prior to landing

MMS Procedures MARSEC Facility

- 24 hour notice will be given prior to inspection.
- Upon flight to the facility, pilot will notify facility 20 minutes out from the facility and again 5 minutes out from the facility.
- No random or unannounced inspections will be performed of these facilities, unless pollution is occurring or has been reported to MMS. The 20 and/or 5 minute notification will be provided, pending helicopter logistics.

Outlook for the Gulf

Gulf Deep Water Discoveries - 2004

Prospect Operator Area / Block Water Depth'

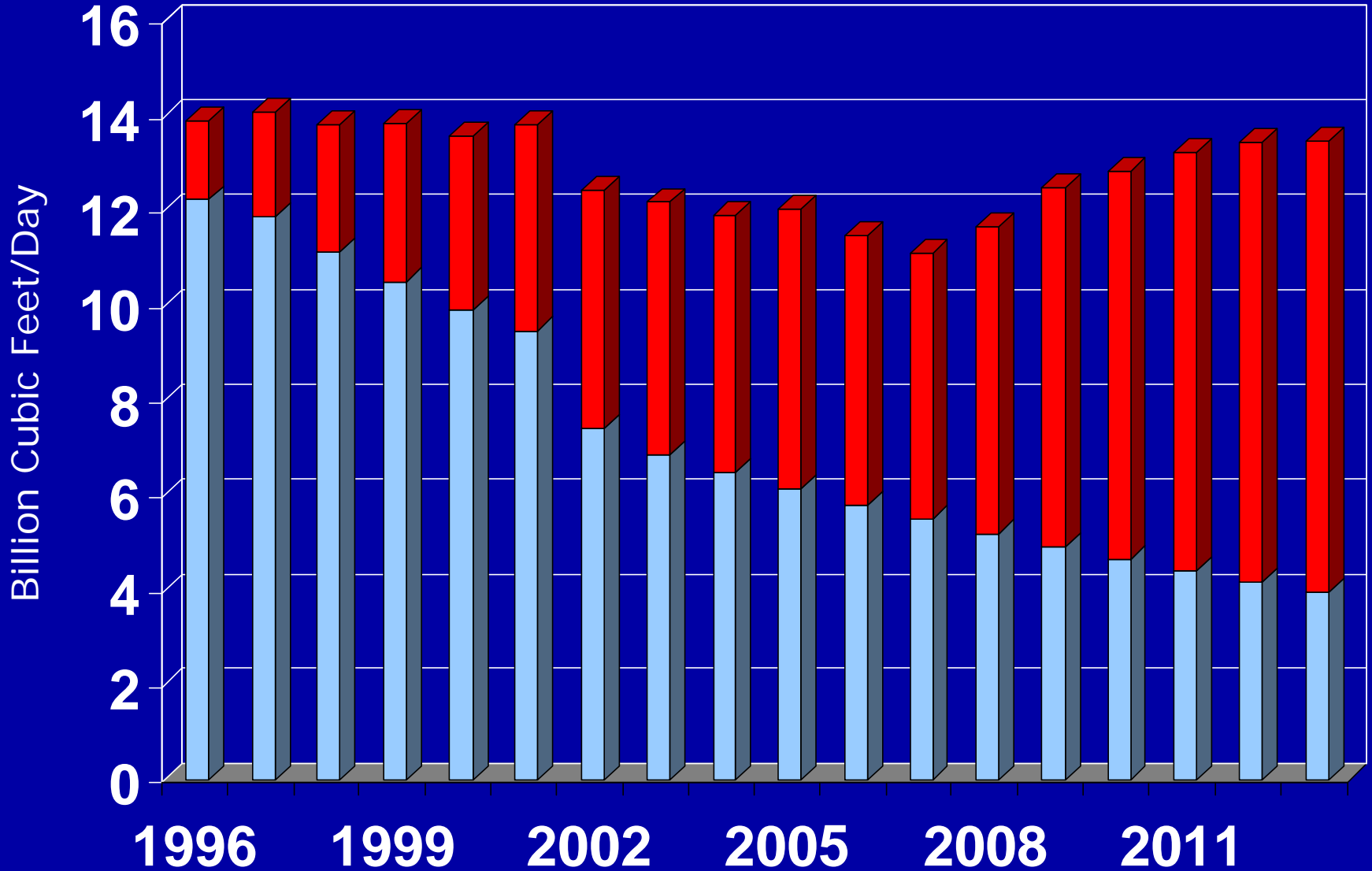
Tobago	Shell Offshore	AC 859	9,627'
Silvertip	ChevronTexaco	AC 815	9,226'
Tiger	ChevronTexaco	AC 818	9,004'
Cheyenne	Anadarko Petroleum	LL 399	8,987'
Atlas NW	Anadarko Petroleum	LL 005	8,810'
Dachshund/Mondo	Anadarko Petroleum	LL 002	8,340'
San Jacinto	Dominion Exploration	DC 618/619	7,850'
Jack	ChevronTexaco	WR 759	6,965'
La Femme	Newfield Exploration	MC 427	5,800'
Thunder Hawk	Murphy Exploration	MC 734	5,724'
Goldfinger	Dominion Exploration	MC 771	5,423'
Ticonderoga	Kerr-McGee	GC 768	5,250'
Puma	BP Exp. & Prod. Inc.	GC 823	4,130'
Dawson Deep	Kerr-McGee	GB 625	2,900'
Crested Butte	Nexen Pet. U.S.A.	GC 242	2,846'

Majors Move Back to the Deep Shelf in the last 5 Sales

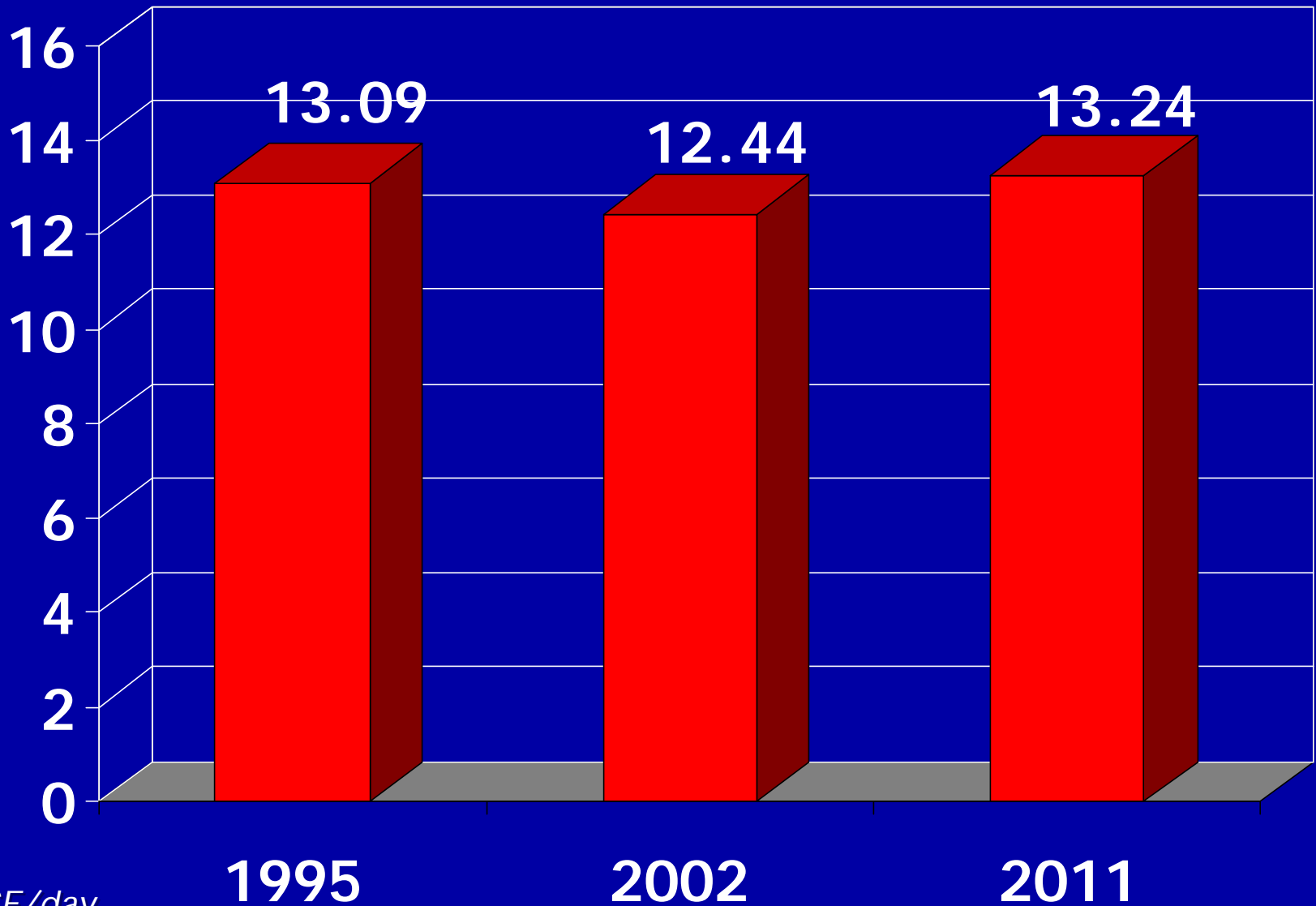
COMPANY	NUMBER HIGH BIDS on Shelf	TOTAL HIGH BIDS
BP	67	\$35,438,691
PETROBRAS	17	\$5,441,765
SHELL	18	\$8,355,462
BHP	95	\$27,752,854
EXXONMOBIL	34	\$13,666,371
CHEVRONTEXACO	46	\$17,149,147

Total GOM Gas

■ Shallow Gas ■ Deepwater Gas



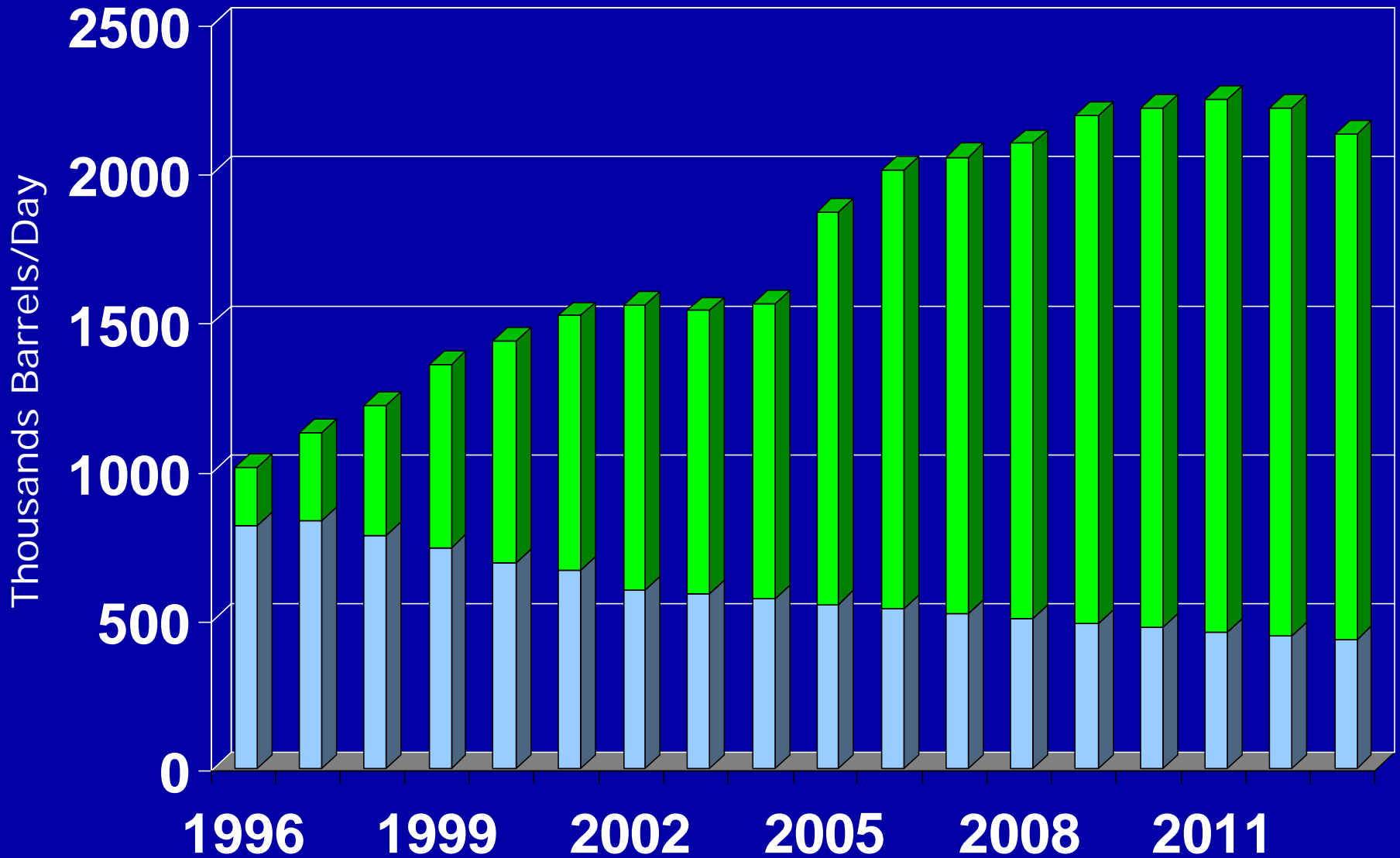
Future of the Gulf Total Gas Production



BCF/day
MMS Report 2004-065

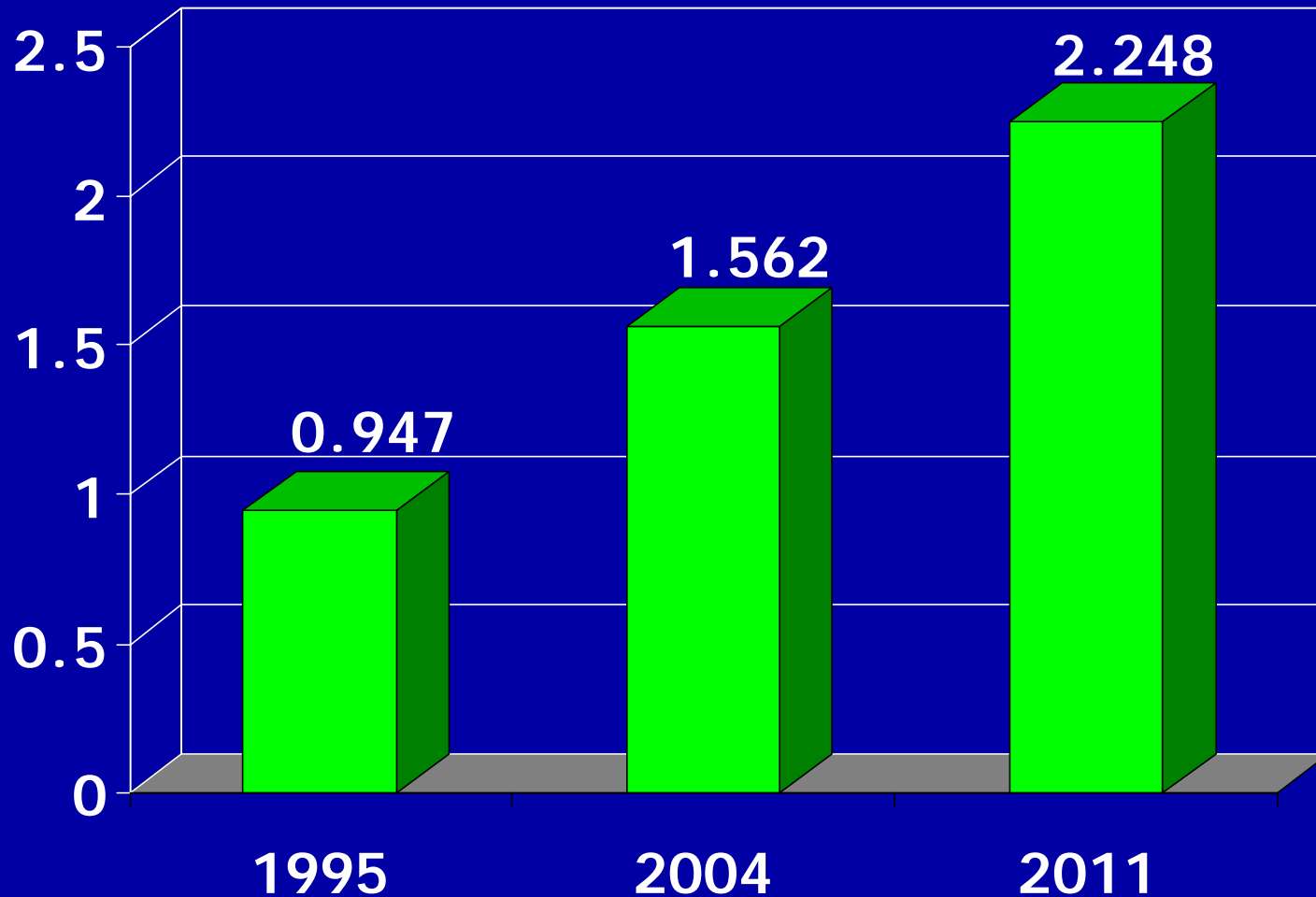
Total GOM Oil

■ Shallow Oil ■ Deepwater Oil



Gulf Oil Production is Rising Rapidly

Total Oil Production



Millions of Barrels of Oil Per Day
MMS Report 2004 - 065