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April 30, 2007

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

Dear Mr. Malone:

BP recently provided documents to the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce that suggest a severe cost-cutting atmosphere existed between 2000 and 2005 in crude oil production operations at Prudhoe Bay. Last week, BP representatives met with Committee staff to discuss these documents and explain what impact budget cuts may have had on Prudhoe Bay's Corrosion, Inspection, and Chemicals Group (CIC), which was responsible for corrosion mitigation at BP Exploration (Alaska) Inc. BP's representatives also commented on whether these budget cuts were in any way associated with the recent failures that led to last year's shutdown of the Prudhoe Bay field.

The documents suggest that budget pressures were severe enough that some BP field managers were considering measures as draconian as reducing corrosion inhibitor to save money. BP provided e-mails that detail proposals to cut funding for corrosion inhibitor during at least two different years and in two different locations. These locations included the "produced water" lines that are highly susceptible to corrosion. If senior BP managers were willing to consider turning off inhibitor at these locations, it suggests a budgetary environment in which other corrosion management activities may have been eliminated or reduced to a degree that may have directly affected corrosion of the portions of the oil transit lines (OTL) that experienced leaks last year.

Similarly, the documents suggest that corrosion-monitoring efforts such as smart pigging, coupon pulling, and digging up road crossings for visual inspection, were either reduced, put on hold, or "squeezed" in some cases due to budget constraints. In other words, important action items related to health, safety, and the environment, were being delayed, or cut altogether, and

that this was related to tight budgets possibly in an effort to maintain “flat lifting costs.”

The documents provided to the Subcommittee confirm that people on the front lines of corrosion management believed that they were under extreme pressure, and they were attempting to do their best with what they had. As you prepare your testimony for the Subcommittee’s hearing regarding operations at Prudhoe Bay, we ask that you be prepared to discuss your understanding of the impact that budget had on the CIC Group and how this may have affected both employee morale and the integrity of the corrosion monitoring program, including the willingness to raise concerns regarding imprudent decisions. As long as BP lacks an understanding of the environment in which these individuals were working, we remain skeptical that effective policies can be implemented to prevent recurrences of these kinds of incidents.

In light of this recent information, we ask that you include in your written testimony responses to the following questions regarding the CIC group’s corrosion mitigation efforts:

1. At any time from 2000 to 2005, did BP managers order corrosion inhibitor injection to be turned off, specifically to save money or stay within budget constraints? If so, where in the system did this occur, during which dates, and what potential impact did such actions have on the lines or systems when it was halted?
2. On April 15, 2004, an e-mail was sent to Messrs. Kip Sprague and Richard Woollam in the CIC Group (Bates number 7159) referring to a proposal to cancel corrosion inhibitor at “GC’s.” Assuming that this abbreviation refers to the Gathering Centers, where within the Gathering Centers was the halting of inhibitor being proposed (regardless of whether such action was ever taken)? In view of the changing composition of crude oil being produced at Prudhoe Bay, would reducing corrosion inhibitor at the Gathering Centers have any impact on “carry over” to the OTLs that leaked?
3. Provide all records related to any requests for smart pigging and maintenance pigging from any officials in the CIC Group for the years 2000 through 2005.
4. Provide all e-mails sent and received by the CIC Group involving reducing, suspending, or cutting back on corrosion inhibitor, or any general concerns regarding corrosion in the OTLs.

Mr. Robert A. Malone
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If you have any questions on this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Majority Committee staff at (202) 226-2424, or Dwight Cates with the Minority Committee staff at (202) 225-3641.

Sincerely,



John D. Dingell
Chairman



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

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

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