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CAMERON INTERNATIONAL: FOURTH PARTNER IN *DEEPWATER HORIZON DISASTER*

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After seven weeks of daily news reports covering the parties responsible for the huge oil spill in the Gulf of Mexico – Transocean which owns the *Deepwater Horizon* drilling platform, Halliburton which was responsible for cementing the well, and BP which leased the platform and owns the well -- are everyday names in the states along the Gulf coast. A fourth company has surfaced from the deep though it has escaped the close scrutiny of the other three. Cameron International produced the blowout preventer that failed to seal the well when it exploded has been a quiet if not nearly silent partner in this disaster.

Cameron International traces its origins to a foundry started in Mt. Vernon Ohio in 1833. It became involved in manufacturing oilfield chokes in 1939. Today it produces a range of blowout preventers including the U BOP for land, platform, and subsea applications. The company is headquartered in Houston and is publicly traded on the NYSE. In first quarter 2010 Cameron reported net income of \$120.4 million. It is currently building and expanding manufacturing facilities in Romania and Malaysia.

In January 2009 Cameron received an order “worth approximately \$100 million for the supply of subsea production systems for BP subsea tieback projects in the Gulf of Mexico.” Aside from its April 29 news release reporting first quarter earnings, Cameron has been completely silent on its website about the disaster in the Gulf even though in his opening statement of May 12 Chairman Bart Stupak of the House Committee on Energy and Commerce identified the failed blowout preventer used on the *Deepwater Horizon* and purchased by Transocean as Cameron’s.

In discussing the leaks that were discovered in the blowout preventer’s hydraulics system with a senior Cameron official, Stupak was able to identify four problem areas. First, the leak may have deprived the shearing rams of sufficient power to cut through the drill pipe and seal the well. Second, the blowout preventer had been modified but the drawings BP depended upon at first did not match the structure on the floor of the Gulf. Third, the blowout preventer’s shear rams were not powerful enough to cut through *joints* in the drill pipe. Fourth, the emergency controls on the blowout preventer may have failed “because the explosion that caused the emergency also disabled communications to the blowout preventer.”

According to Cameron, the blowout preventer has a deadman switch which is activated when all else fails. However, the switch may not have been enabled prior to installation on the floor of the Gulf or the batteries necessary to trigger the switch may have been dead. Additionally, the switch is activated only when all three lines – communication, power, hydraulics -- connecting the rig to the blowout preventer are severed. It is possible that the hydraulic line was not severed and for that reason the deadman switch was not activated.

Stupak stated that he had discovered a report by Transocean in 2001 when it bought the blowout preventer from Cameron that identified 260 failure modes, principally involving ram locking mechanisms, that could require pulling the blowout preventer.

In hearings on May 17 before the House Committee of Transportation and Infrastructure, a rule change by the federal Minerals Management Service in the late 1990s reduced the number of required blowout preventer tests in half “resulting in an annual savings of \$340,000 per rig.” This rule change followed on the heels of studies by MMS that blowout preventer failures happened more frequently than indicated by the industry. Two witnesses at the hearings, one a Coast Guard captain and the other a MMS employee, testified that the blowout preventer is designed, manufactured, and installed by the industry with “no government witnessing or oversight of construction or installation.” At the same hearings, a Coast Guard rig inspector stated that “the pace of technology has outrun the current regulations.”

Even an amateur can see that deepwater drilling requires highly specialized and complex equipment along with crews carefully trained to operate that equipment safely and under the extreme stress of an unexpected emergency. The blowout preventer is the critical piece of equipment because it is literally the primary line of defense against a catastrophic accident.

The federal government is not doing enough to assure that the blowout preventer works when it is most needed. In the end, the people on the Gulf Coast whose livelihood is tied to the Gulf are paying a terrible price for a blowout preventer that failed in its one and only task and a federal government that has not kept pace with technological developments in deepwater drilling and is too distant from the problem and unprepared to respond quickly and effectively. We needed an Apollo-13/Cajun engineering type emergency response. We got instead Congressional hearings, finger pointing, and scapegoating.

When the leak is finally plugged, questions such as the following need to be addressed. Where were the empty supertankers sucking up the oil/water mixture, separating the two, treating and spewing the water back into the Gulf, as recommended by the former president of Shell Oil? Should MMS be headed by a lawyer as in the case of the last political appointee or an engineer? What liability does Cameron have in this matter? Are we expecting too much from the federal government that over the years has grown so big that it cannot respond quickly and effectively? Will we be faced indefinitely with choosing between (a) a ban on all risky offshore oil operations and higher prices for gasoline and (b) a continuation of deepwater drilling in order to fuel the U.S. economy? Do we want an angry president who wants to kick a** and take

names after the incident or one who gets the right people in place before the incident -- an avenger or a leader? Will federal government regulators inevitably trail behind technological developments in an economy driven by the entrepreneurial spirit?

Finally, what is a state to do when it sees that the federal government is not responding quickly and effectively to the needs of its citizens and the threats to its natural resources? Wait for the federal response to kick in even as the situation deteriorates or intervene on its own even when it means demanding federal reimbursement for containment costs?

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