

BP's Problems: Chronology of Events Affecting Alaska Petroleum Operations Since September 2006 Hearings

**Update to March 15, 2006 and September 3, 2006 Reports to the
Alaska Forum for Environmental Responsibility (Valdez) and the
Alaska Wilderness League (Washington, DC / Anchorage, Alaska)**

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Background

In a [March 15 preliminary analysis](#) of the Prudhoe Bay oil spill that began in late February and was discovered March 2, 2006, this writer discussed and documented BP's resistance to pre-spill government requests that the Prudhoe Bay operator beef up its field pipeline corrosion maintenance and leak detection procedures. That report also discussed BP's past problems in Alaska, including criminal pollution convictions. Despite this inauspicious history, one of the world's largest transnational oil companies might have seen the largest oil spill on land in the history of the largest oil field in North America fade into relative obscurity. After all, the environmental damage to less than two acres of tundra in the Prudhoe Bay industrial complex appeared to be slight. At another time, BP's North Slope failings might have faded into obscurity, carefully tended by skilled public relations efforts and lost among more pressing national and world news. But in the days and months that followed the spill, headlines calling attention to the North Slope were amplified by disclosures from the Gulf Coast, where BP was under even more intensive scrutiny for failure to ameliorate conditions that led to a massive refinery

fire and explosion in March 2005 that killed 15 persons and injured 180. The Texas City, Texas accident was the worst U.S. petroleum industry accident in over a decade.

Shortly after BP's August 6 announcement that it planned to shut down the nation's largest oil field to deal with its corrosion problems, this writer reviewed BP's post-spill actions, including the company's failure to respond in a timely manner to federal orders to send intelligent inspection devices known as "smart pigs" through the corroded pipelines to inspect them – a basic maintenance procedure BP had ignored for more than a decade. When BP finally ran the pig in response to a renewed order from the Pipeline and Hazardous Materials Safety Administration (PHMSA), previously unreported corrosion that had reduced steel pipeline walls to the thickness of a pop can in unexpected spots led to the August shutdown announcement. This writer's [September 3 follow-up](#) report reviewed the events leading up to the March spill and the partial shutdown of Prudhoe Bay and concluded that both events were the latest example of the disturbing gap between promise and practice that is characteristic of Alaska North Slope and Trans-Alaska Pipeline System (TAPS) operations. As discussed frequently on this writer's web site, the oil industry in Alaska is chronically too slow to identify problems and, once identified, too slow to address them. Four root causes lie at the heart of this syndrome and the current problems on the North Slope:

- Lax government oversight;
- lack of timely, accurate field information;
- cost-cutting pressures by owners (and upward-bound, office-bound mid-level managers); and
- engineering myopia or bias in the weighting assigned to decision-making inputs regarding prevention and mitigation measures.

The September 2006 Hearings

Between Sept. 7 and Sept. 12, three congressional hearings in Washington brought a wide range of information confirming these root causes to public attention. For example, at the day-long Sept. 7 meeting of the House Energy and Resources Committee's Subcommittee on Oversight and Investigation:

- Reports surfaced indicating that BP's North Slope management had rejected worker concerns on corrosion maintenance issues; the company's former North Slope corrosion manager took the Fifth Amendment and declined to testify.
- Steve Marshall, President of BP's North Slope unit was unable to answer even rudimentary questions about summary data in his own company's investigative report on the spill reported March 2.
- Alaska's Commissioner of Environmental Conservation denied knowledge of the department's failed administrative efforts in 2002 that would have required BP to address the leak detection and sludge problems that played central roles in the 2006 spill and partial shutdown of Prudhoe Bay.
- PHMSA Administrator Thomas J. Barrett told Congress he found it "very puzzling" that BP had chosen not to run cleaning pigs on the main transit pipelines at Prudhoe Bay, particularly in view of the increased water content and high viscosity of the oil being processed as the field aged.¹

¹ U.S. House Energy and Commerce Committee, Subcommittee on Oversight and Investigations, "BP's Pipeline Spills at Prudhoe Bay: What Went Wrong?" Sept. 7, 2006 (transcript and author's notes).

PHMSA's Barrett played into BP's artful variation of a "good cop-bad-cop" routine by noting that the Alyeska Pipeline Service Company, which operates the Trans-Alaska Pipeline System (TAPS) between Prudhoe Bay and the port of Valdez, 800 across Alaska to the south, assiduously runs cleaning pigs every two weeks to prevent sludge build-up. BP holds a 46% ownership interest in TAPS. Alyeska President Kevin Hostler said that his company had even moved its triennial smart-pig inspection pig run up a year at its own initiative to insure that TAPS would not be caught by corrosion surprises. Hostler told Congress that "[t]he first part of the TAPS mainline was pigged the first week in August, and the remainder will be pigged by the end of the year."² Unfortunately, nobody thought to ask Hostler why Alyeska only pigged the first part of the line. Otherwise, Congress might have learned that enough gunk had built up on the inside of the walls of the 48-inch TAPS line, despite the regular cleaning pig runs, that the smart pig stopped sending information back less than one-quarter of the way through its planned 800-mile run. Hostler's announced plans to finish the task by the end of the year were subsequently deferred; it took another six months before Alyeska could get the inside walls of its pipeline clean enough for the inspection pig to do its job; the vaunted accelerated run was not completed until late March of this year; the data are not yet available.³ In December, a cleaning pig broke up inside TAPS. Pieces of pig were recovered, but a 20-inch steel ring has yet to be found.⁴

On the eve of the congressional hearings, BP announced that it had hired retired Judge Stanley Sporkin as its Ombudsman to hear all worker complaints.⁵ The appointment did little to assuage the ire of Congress. The most ringing denunciations of BP came from the industry's ardent Republican supporters. For example, Congressman Joe Barton (R-Texas), then Chairman of the House Energy and Commerce Committee. Reading from prepared remarks at the opening of the hearing, Barton, an industrial engineer who worked for the oil industry before coming to Congress, declared:

If a company – one of the world's most successful oil companies, can't do simple, basic maintenance needed to keep the Prudhoe Bay field operating safely, without interruption, maybe . . . we should find a way to get a different operator." Maybe I have the wrong impression, but it seems to me that BP was betting the company and their field that this field would be depleted before major parts of the pipeline failed and needed to be replaced. BP's policies are as rusty as its pipelines. I am very concerned about the specific incident, but I am even more concerned about BP's corporate culture of seeming indifference to safety and environmental issues. And this comes from a company that prides itself in their ads on protecting the environment. Shame, shame, shame."⁶ (6)

² "Written Statement of VADM Thomas J. Barrett, USCG (ret.)," Administrator, Pipeline & Hazardous Materials Safety Administration, U.S. Dept. of Transportation; and "Statement of Kevin Hostler," President and CEO, Alyeska Pipeline Service Company) before the U.S. House Subcommittee on Oversight and Investigations (Energy and Commerce Committee), Sept. 7, 2006.

³ Yereth Rosen, "Alaska oil pipeline completes corrosion tests," Reuters News (on-line), March 22, 2007.

⁴ Felicity Barringer, "Device Breaks Up in Pipeline, and Search Is on for Lost Piece," *New York Times*, Feb. 2, 2007.

⁵ Jim Carlton, "BP Hires Former Judge To Be U.S. Ombudsman," *Wall Street Journal*, Sept. 5, 2006, p. A2.

⁶ Rep. Joe Barton (Chairman, U.S. House Committee on Energy and Commerce), "Barton Questions BP's Ability to Safely Maintain Pipelines," Sept. 7, 2006 (press release).

Five days later, pro-development Republican senators on the Senate Energy and Natural Resources Committee took turns pounding on BP officials. When BP Exploration (Alaska) President Steve Marshall tried to tell Senator Jim Bunning (R-Kentucky) that BP was focused on its corrosion program, the senator exclaimed: "You obviously have not been doing that, or we wouldn't have had a spill." Bunning recalled a trip he had taken to the North Slope with Alaska Senator Lisa Murkowski. "We went through some of your facilities and you bragged to us how good you were doing," he recalled. "No, don't tell me you didn't have an inkling of the fact that your pipelines might be corroding."⁷ Energy and Natural Resources Committee Chairman Pete Domenici, (R-New Mexico) issued a prepared statement saying that BP "has no acceptable excuses for allowing its Prudhoe Bay oil pipelines to corrode."⁸

Subsequent Developments

In the months following the September hearings in Washington, the wealth of detailed information congressional investigators were unearthing dovetailed with new information and developments in the aftermath of the Texas City refinery explosion and fire. While grand juries in Texas and Alaska were reportedly considering charges relating to BP's environmental conduct, during this period, other developments were also taking down BP's corporate image. For example:

- BP's North American marketers were being investigated on three separate charges of price fixing.⁹
- BP Chief Executive Lord John Browne of Maddingly, who had engineered BP's takeover of major oil companies Amoco in 1998 and ARCO in 2000, had announced plans to step down at the end of 2008 after more than a decade as BP's head. But as allegations that Browne's emphasis on cost-cutting continued to undermine BP's carefully nurtured image of environmental stewardship, the hard-driving CEO's departure was pushed forward to June 2007.¹⁰ Instead, he abruptly resigned in April as charges surfaced that he had lied to conceal facts about his private life that he did not wish to become public.¹¹

While BP has not been directly implicated, a political scandal smoldering across Alaska since last September has re-enforced the notion that the oil industry wields undue influence over the 49th state. During this period, at least seven Alaska state legislators, including the son of Senator Ted Stevens (R-Alaska), were being investigated by the FBI. During the first week of May, two officials from the Veco Corp., one of the North Slope's largest and undoubtedly the most politically active oil field service companies, pleaded guilty to charges of bribery and the three state legislators were indicted. According to

⁷ Richard Mauer, "Senators hammer BP over stewardship – HEARING: Safety issue threatens more drilling on North Slope," *Anchorage Daily News*, Sept. 13, 2006 (on-line).

⁸ Senator Pete Domenici (Chairman, U.S. Senate Energy Committee), "Domenici Says Self-Inflicted Damage to U.S. Energy Supplies Egregious and Inexcusable – Energy Committee Tackles BP Alaska Pipeline Shutdown," Sept. 12, 2006 (press release).

⁹ See: Jeremy Grant, "BP faces US futures trading charges," *Financial Times*, Dec. 14, 2006.

¹⁰ Bhushan Bahree and Chip Cummins, "BP's CEO Browne Will Give Up Job Early: Departure From Energy Giant Comes Amid U.S. Inquiries Into Oil Spills, Refinery Blast," *Wall Street Journal*, Jan. 13, 2007.

¹¹ Ian Cobain and Clare Dyer, "BP's Browne quits over lie to court about private life: Cover-up over how he met partner leads to dramatic exit and costs him 15m [pounds]," *The Guardian*, May 2, 2007.

their indictments, all three received direct payments from VECO for supporting the company's position on pending petroleum tax legislation in 2006.¹² Between 2002 and 2006, while serving in the State Senate, Ben Stevens received \$243,250 in consulting fees from Veco. Stevens and Veco have not disclosed what services Stevens performed for Veco.¹³

Without reference to the peripheral issues summarized above, here is a brief chronology of BP's spreading operational, environmental and safety problems in the months since the September 2006 hearings spotlighted the problems summarized in this writer's March 15 and Sept. 3 reports.¹⁴

September 15-30, 2006

Sept. 27: The eastern half of the Prudhoe Bay field, shut down since Aug. 10, resumed production and was expected to reach 150,000 barrels per day shortly. (The Prudhoe Bay field accounted for approximately 400,000 bpd of of the North Slope's 800,000 bpd total.) (*Anchorage Daily News*, Sept. 29, 2006.)

Sept. 29: A natural gas leak in a key control facility caused BP to shut down the Lisburne production center, near Prudhoe Bay, reducing North Slope production by approximately 30,000 bpd. (*Anchorage Daily News*, Sept. 29, 2006.)

October 2006

Oct. 6: A BP survey of key U.S. elected officials and thought leaders finds BP's reputation at an all-time low. (*Financial Times*, Oct. 6, 2006.)

Oct. 6: Alaska governor proposes new state agency to monitor oil field engineering and maintenance practices. (*Anchorage Daily News*, Oct. 6, 2006.)

Oct. 6: House Energy and Commerce Committee orders BP, Alaska Department of Environmental Conservation (ADEC) to turn over all documents relating to an ADEC 2002 compliance order, issued to BP, regarding North Slope leak detection. Neither party produced the document for the Sept. 7 hearing. (*Note:* The 2002 ADEC compliance order was cited in this writer's March 15, 2006 report on the spill.)

¹² See: Lisa Demer, Don Hunter and Sabra Ayres, "Kohring also charged with bribery, exzortion: Wasilla legislator joins 2 former lawmakers under federal indictment," *Anchorage Daily News*, May 4, 2007 (on-line "Extra"); Tom Kizzia and Sabra Ayres, "Kohring's state House committee post pulled – OIL, GAS: Arrests also put spotlight on 2006 petroleum profits tax law," *Anchorage Daily News*, May 6, 2007; Rachel D'Oro, "Oil service execs plead guilty to bribing Alaska lawmakers," *Anchorage Daily News*, May 7, 2007.

¹³ See: Lisa Demer and Sheila Toomey, "Lawmakers cited in Veco case identifiable," *Anchorage Daily News*, May 7, 2007 (modified May 11, 2007).

¹⁴ Most of the articles referenced in the following list can be found in the articles posted monthly on the [Alaska Forum for Environmental Responsibility web site](#).

Oct. 7: Federal and Texas state judges have ordered BP's chief executive to provide sworn testimony in personal injury cases arising from the Texas City refinery explosion. (*Financial Times*, Oct. 7, 2006.)

Oct. 9: TAPS suffering vibrations in Brooks Range due to reduced flows. (*Wall Street Journal*, Oct. 9, 2006.)

Oct. 10: BP settles suits; Browne won't testify. (*Financial Times*, Oct. 10, 2006.)

Oct. 13: High winds, dust and debris cause power outage on North Slope, shutting in production; TAPS temporarily shut down by floods. (*Wall Street Journal*, Oct. 10, 2006.)

Oct. 13: John Manzoni, head of BP's refining and marketing segment, was perturbed to lose "a precious day of my leave" when the fatal Texas refinery explosion interrupted his vacation, according to a deposition in a civil damages claim against the company. (*Financial Times*, Oct. 13, 2006.)

Oct. 24: Alaskan environmental regulators allowed BP PLC (BP) to forgo pig inspections of pipelines at its Prudhoe Bay oil field in 2002, four years before a corroded line suffered a major spill in March 2006. (*Wall Street Journal*, Oct. 24, 2006.)

Oct. 26: BP experts told the company's global refining chief, John Manzoni, of serious safety problems at the plant, according to internal documents obtained by CBS News for a feature that will air Sunday on "60 Minutes." (Dow Jones Newswires, Oct. 26, 2006.)

Oct. 27: Former state pollution regulator says the administration of former Gov. Tony Knowles gave lax and special treatment to the oil industry, and those policies figure into pipeline leaks and corrosion that led to this summer's partial shutdown of Prudhoe Bay. (*Anchorage Daily News*, Oct. 28, 2006.)

Oct. 31: BP Alaska unit replaces head of its Alaska unit; Steve Marshall transferred to London. (*Wall Street Journal*, Oct. 31, 2006.)

November 2006

Nov. 10: BP PLC's last-minute settlement in a civil lawsuit stemming from a deadly explosion last year at a Texas refinery spares the British oil giant a drawn-out legal battle that threatened to further blemish its record amid other safety, environmental and compliance problems in the U.S. (*Wall Street Journal*, Nov. 10, 2006.)

Nov. 17: High wind and waves stopped tanker loading in Valdez and forced a 10-hour shutdown of TAPS anticipated to last 10 hours. (*Anchorage Daily News*, Nov. 17, 2006.)

Nov. 23: TAPS flow, disrupted by recent bad weather, is expected to reach 75% capacity today. (Dow Jones Newswires, Nov. 23, 2006.)

Nov. 28: BP confirmed two worker deaths in mid-November, both due to head injuries. One occurred on the North Slope Nov. 13 when a worker walking across a drill pad fell.

The other died Nov. 17 in eastern Oklahoma while helping prepare a drilling rig to be moved. (Dow Jones Newswires, Nov. 28, 2006.)

December 2006

Dec. 1: A second top-ranking BP Alaska executive who oversaw troubled operations at Prudhoe Bay has been reassigned. Vice President Maureen Johnson will move to London. (*Anchorage Daily News*, Dec. 1, 2006.)

Dec. 5: Alaska Dept. of Environmental Conservation Commissioner Kurt Fredriksson, who faced tough questioning in recent congressional hearings, resigned this week as a new governor took office. (Dow Jones Newswires, Dec. 5, 2006.)

Dec. 7: U.S. House renews Pipeline Safety Act; measure is similar to Senate version, includes provision regulating all low-pressure oil transmission lines to prevent corrosion leaks like those at Prudhoe Bay. (*Fairbanks Daily News-Miner*, Dec. 7, 2006.) [Bill signed by President Dec. 29, 2006.]

Dec. 16: Pipeline and Hazardous Materials Safety Administration has demanded more information from BP; agency is questioning reported delays in BP's planned repairs to corroded Prudhoe Bay pipelines. (*Anchorage Daily News*, Dec. 16, 2006.)

Dec. 20: BP Texas City plant manager told an inquiry conducted after the blast that senior officials had cut his budget by 25 per cent. BP denies the figure. (*Financial Times*, Dec. 20, 2006.)

Dec. 23: State-Federal Joint Pipeline Office orders Alyeska to provide data from TAPS 2004 smart pig run, even though data are "getting pretty old now." (*Anchorage Daily News*, Dec. 22, 2006.)

January 2007

Jan. 6: Officials are investigating a fire caused by a shutdown of the trans-Alaska oil pipeline on Jan. 6. (*Fairbanks Daily News-Miner*, Jan. 25, 2007.)

Jan. 9: Alyeska shuts down pipeline after loose by-pass valve causes 500-gallon oil spill near Atigun Pass. (*Wall Street Journal*, Jan. 9, 2007.)

Jan. 10: Alyeska resumes normal operations after 6-hour shutdown. (*Wall Street Journal*, Jan. 10, 2007.)

Jan. 12: Two of BP's new double-hulled oil tankers are sitting idle off Washington state after each lost an anchor while sailing through rough North Pacific waters. (*Anchorage Daily News*, Jan. 12, 2007.)

Jan. 12: BP Chairman and Chief Executive John Browne, scheduled to retire at the end of 2008, will step down 18 months earlier, at the end of June 2007. (*Financial Times*, Jan. 12, 2007.)

Jan. 16: An independent panel set up to review BP refinery operations in the U.S. said it found "significant" problems at five refineries. According to the 374-page report, company goals, such as cost-cutting, often overrode safety concerns at its plants. (*Wall Street Journal*, Jan. 16, 2007.)

Jan. 29: BP officials wanted to limit how much information they revealed in their internal report on the March 2005 Texas City refinery explosion. (*Financial Times*, Jan. 29, 2007.)

February 2007

Feb. 2: Cleaning pig broke up in TAPS in late December; 20-inch ring from the pig is missing, may be in wax removed from pipeline and shipped to Seattle (*New York Times*, Feb. 2, 2007.)

Feb. 7: North Slope oil industry watchdog Chuck Hamel asserts BP substituted water for corrosion-inhibiting chemicals in Prudhoe Bay pipes and had a policy of allowing some equipment to fail before replacing it. (*Anchorage Daily News*, Feb. 7, 2007.)

Feb. 8: BP's new fleet of oil tankers, already dogged by cracked rudders and missing anchors, now has a new glitch. Deck fixtures called mooring bits on three of four ships were replaced after one violently broke down and tests showed they were defective. (*Anchorage Daily News*, Feb. 8, 2007.)

Feb. 8: A bipartisan group of state senators will introduce a bill designed to keep oil companies from deducting facility maintenance costs that are the result of neglect. (*Anchorage Daily News*, Feb. 8, 2007.)

Feb. 10: A Texas state appeals court Friday resurrected a seemingly dead issue, clearing the way for the a state court to depose BP chief executive John Browne. (*Wall Street Journal*, Feb. 10, 2007.)

Feb. 14: BP's internal investigation into management accountability for the oil company's fatal Texas refinery explosion calls for the sacking of four senior executives. (*Financial Times*, Feb. 14, 2007.)

Feb. 20: BP shuts down Northstar off-shore field after small gas leak discovered, reducing North Slope production by 40,000 bpd. I. (*Anchorage Daily News*, Feb. 20, 2007.)

Feb. 22: A shortage of hourly workers is leading to fatigue and safety risks at the Prudhoe Bay oil field, according to union officials who represent the workers. (*Anchorage Daily News*, Feb. 22, 2007.)

Feb. 23: New Alaska Gov. Sarah Palin wants to scrap a pipeline corrosion oversight office created by her predecessor after last year's North Slope corrosion problems and replace it with a less expensive mechanism that the Palin administration insists would not reduce oversight effectiveness (*Anchorage Daily News*, Feb. 23, 2007.)

Feb. 28: BP hopes to reopen Northstar late next week. (*Anchorage Daily News*, Feb. 28, 2007.)

March 2007

Mar. 5: BP successfully lobbied against tighter environmental controls by regulators in Texas, saving \$150m (£77m) in monitoring and equipment upgrades prior to Texas City refinery explosion in 2005, internal documents show. (*Financial Times*, Mar. 5, 2007.)

Mar. 18: A federal grand jury in Alaska investigating pipeline corrosion at North Slope oil fields has subpoenaed up to 11 years' worth of records from Conoco Phillips concerning how well the fields have been run. (*Anchorage Daily News*, Mar. 18, 2007.)

Mar. 20: U.S. Chemical Safety Board Investigators Conclude "Organizational and Safety Deficiencies at All Levels of the BP Corporation" Caused March 2005 Texas City Disaster. (U.S. Chemical Safety Board, Mar. 20, 2007.)

Mar. 21: TAPS has successfully completed smart pig run. (Reuters, Mar. 21, 2007.)

Mar. 23: U.S. House members skewered the U.S. Occupational Safety and Health Administration on Thursday, lambasting the agency's infrequent inspections at BP's aging Texas City refinery before the March 2005 explosion. (*Houston Chronicle*, Mar. 23, 2007.)

April 2007

April 10: New evidence has prompted the Galveston judge overseeing litigation stemming from the 2005 Texas City refinery blast to order a second deposition of a BP public affairs manager regarding possible jury tampering; the case was settled on the day the trial was to begin. (*Houston Chronicle*, Apr. 10, 2007.)

April 10: Nearly 7,000 gallons of diesel fuel spilled into a frozen pond and onto the tundra at Prudhoe Bay when a fuel truck rolled over. The driver, who worked for Veco Crop., was not injured. (*Anchorage Daily News*, Apr. 10, 2007.)

April 18: The state established its new oil field infrastructure oversight office. Under an administrative order signed by the governor, three new inspectors and a manager will join six staffers already in place to manage the permitting process. (*Anchorage Daily News*, Apr. 19, 2007.)

April 25, 2007: EPA sides with BP, loosens North Slope air pollution regulations (*Corporate Crime Reporter*, Apr. 25, 2007.)
