

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

May 17, 2010

Via Electronic Transmission

Steven L. Newman
President and Chief Executive Officer
Transocean, Ltd.
U.S. Headquarters
4 Greenway Plaza
Houston, TX 77046

Dear Mr. Newman:

As the ranking member of the Committee on Finance, I have a constitutional duty to conduct oversight into U.S. government regulated programs that directly impact the safety, security, and economic livelihood of American citizens. Additionally, the oil spill liability trust fund and related taxes are included in the Internal Revenue Code, as are tax incentives directed at deep water drilling. I am writing about the concerns I have regarding the recent explosion and subsequent oil spill at the Deepwater Horizon oil rig in the Gulf of Mexico.

It is my understanding that British Petroleum (BP) leased the Deepwater Horizon rig in the Gulf of Mexico from Transocean Ltd., and that Halliburton provided services including: cementing, mud logging, and directional drilling. Cameron provided equipment used in the drilling process. I also am aware that the Minerals Management Service (MMS) within the Department of the Interior (DOI/ Interior) exempted BP from environmental safety restrictions that may have prevented this catastrophe.

Furthermore, *The Times-Picayune* reported that MMS regulation 250.416(e) requires drillers to submit proof that the blowout preventer they are using to shut off the well will have enough power to shear a drill pipe in case of an emergency. However, the MMS drilling inspector, who examined the BP Deepwater Horizon rig application, has stated that he was not aware of any such requirement. He added that he has never demanded such proof from any of the more than 100 applications his office reviews each year. The paper also reported that the Deepwater Horizon rig is operating under the flag of the Marshall Islands. I would like to understand if this shelters Transocean from rigorous oversight.

Finally, my investigators have learned that oil rigs maintain transcripts of ongoing actions taking place on a rig. Because of the devastating consequences of the recent oil rig explosion and subsequent oil spill, I am requesting the following:

- 1) All communications and drafts of communications between Transocean, Ltd. and MMS, regarding the Deepwater Horizon rig in the Gulf of Mexico and blowout preventers. The time span of this request covers January 2008 to the present.
- 2) All communications, internal and external, regarding the explosion and subsequent fire at the Deepwater Horizon oil rig. The time span of this request covers the day of the explosion, until the present.
- 3) A copy of all transcripts regarding the operation of the Deepwater Horizon rig in the Gulf of Mexico. The time span of this begins five days before the explosion until the present.
- 4) The total costs projected by Transocean, Ltd. for the cleanup of the Deepwater Horizon rig explosion and subsequent oil spill.
- 5) An accounting of all tax breaks and/or subsidies that Transocean, Ltd. received from the Federal Government for the Deepwater Horizon rig in the Gulf of Mexico. The time span of this request covers January 2005 to the present.
- 6) An accounting of royalty relief that Transocean, Ltd. has received from MMS and/or any other federal agency for offshore oil drilling in the Gulf of Mexico. The time span of this request covers January 2005 to the present.
- 7) Please explain the benefits/drawbacks of having an oil rig off the coast of the United States flying under the flag of a foreign country. Specifically, please address how this affects safety inspections, taxes, and royalty payments.
- 8) Please provide a list of all Transocean oil rigs operating in the Gulf of Mexico and flying under the flag of a foreign country. Please provide the name of the oil rig, its distance from the United States coast, and the name of the country under which the rig operates.
- 9) Please provide documentation that Transocean is in compliance with MMS regulation 250.416(e) for all oil rigs owned/leased/operated by Transocean in the Gulf of Mexico.
- 10) Please explain, in detail, who made the decision to replace the mud in the drill hole with seawater. Provide any pertinent documents and/or communications.
- 11) Please provide documents and communications on the amount and/or rate of oil leaking from the Deepwater Horizon oil rig.

In cooperating with the Committee's review, no documents, records, data or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible to the Committee.

I look forward to hearing from you by no later than June 4, 2010. All documents responsive to this request should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov. If you have any questions, please do not hesitate to contact Janet Drew or Paul Thacker at (202) 224-4515.

Sincerely,



Charles E. Grassley
Ranking Member