

U.S. House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
Oversight Hearing “Reviewing State Successes with the Rigs to Reefs Program”
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W & T Offshore, Inc.

W & T Offshore is a publically traded, independent oil and gas exploration and production company with a more than 30 year history of finding and producing oil and gas in a safe and environmentally responsible manner in the Gulf of Mexico. We explore for new energy reserves, develop those reserves with large capital investments, are owners of the equity of the reserves, and ultimately produce natural hydrocarbon energy for sale onshore. We do not have downstream operations such as refineries and retail markets and are exclusively working in the upstream energy sector. W & T appreciates the opportunity to discuss the Rigs to Reef Program and provide feedback from an Offshore Operator’s perspective.

W & T Offshore is one of a few remaining companies still actively exploring for and producing oil and gas from the shallow waters of the Gulf of Mexico. This area is known as “the Shelf”, and is generally considered to be water depths of less than 500 feet. Vast amounts of hydrocarbon resources have been discovered and recovered over the last 70 years since Kerr-McGee drilled the first well in the Gulf of Mexico out of sight of land in 1947. This activity has generated billions of dollars of annual revenue for the U. S. Treasury and the U.S. taxpayers through both royalties and taxes, has provided the abundant energy resources necessary to propel the U.S. economy and supported millions of jobs, not only along the Gulf Coast but across the country.

To date, W & T Offshore has donated sixteen (16) steel jackets (“Rigs”) to the Rigs to Reefs Programs in offshore Louisiana and Texas. These rig donations were accompanied by more than \$8,000,000 in cash donations to state conservation agencies as part of the “Rigs to Reef” program. Currently, W & T has six (6) production platforms scheduled for the “Rigs to Reef” projects in 2017. Two of these projects have been fully approved and the remaining four are in various stages of review by the multiple agencies involved in this process.

Let me briefly summarize the life-cycle of an offshore oil development. After the geologists and geophysicist utilize seismic and other data to identify a promising prospect, an exploration well is drilled utilizing a mobile drilling rig to test whether the prospect contains commercial levels of oil and/or gas. If a discovery is made, a steel structure called a production platform is constructed and secured on the seafloor at the well site. From this platform, additional wells can be drilled and the oil and gas produced from the wells is processed and transported through pipelines to shore. There are 2 general types of production platforms, those that float and those that are supported by the seafloor by what is known as a steel jacket. These production platforms can contain anywhere from 50 tons of steel for the smallest production platforms in shallow water to tens of thousands of tons for production platforms in deeper water. Within a few months of being installed, these production platforms or “Rigs” quickly become thriving reef ecosystems. These “rigs” routinely become habitat for hundreds of species of fish, corals, sponges and sea turtles, and create and generate important micro-environments and ecosystems highly beneficial to marine life. As someone who has lived and worked on these production platforms in the past, I can attest to the amazing variety of sea-life that can be seen. These production platforms also become major attractions for sport fishing, commercial fishing and scuba diving excursions and are actively sought out by those interested in productive fish populations, attesting to their environmental benefit. In fact, one of the most photographed and popular scuba diving locations in the Gulf of Mexico is W & T’s HI A389 “A” production platform located on the southeastern corner of the Flower Garden National Marine Sanctuary. This production platform’s steel jacket contains over 4000 tons of steel, stands over 400 feet from seafloor to sea level and is almost the size of a football field at the seafloor. Like most production platforms, there is marine life from the seafloor to sea level on and around the HI A389 “A” production platform.

Offshore operators are required by Outer Continental Shelf Lands Act and BOEM/BSEE regulations to properly plug and abandon all wells 15' below the seafloor and fully remove all structures within one year after termination of the offshore lease which occurs 6 months after the cessation of production. Prior to the Rigs to Reef program, all platforms were fully removed and brought onshore to be cut up and recycled for scrap. This process disrupts the existing marine ecosystem that has been established during the many years the platform was in service and can increase safety risks to the decommissioning personnel by having to handle and transfer these large steel structures onto barges then onto onshore facilities for disposal.

The "Rigs to Reef" artificial reef program allows these steel jackets to continue to support marine life by allowing the jacket(s) to either be "Reefed in Place" where the top portion of the steel jacket is removed to provide clearance for vessel navigation and lower section remains in place, or by towing the complete steel jacket to an established "Rigs to Reef" area to be placed with other previously "reefed" structures. Both these methods allow the steel jacket to continue to provide a beneficial marine habitat for marine organisms, thus preventing elimination of habitat that would have occurred had the steel jacket been scrapped. Any cost savings the oil companies realize are shared with the host State's artificial reef program through a monetary donation (a defined and prescribed process), which can further support additional reef establishment or conservation programs. This program has been and continues to be a Win-Win for all involved.

This leads us to an area where we believe improvement can be realized. Streamlining of the approval process and associated time required to obtain all required permits would be beneficial. Currently, the oil company who operates the production platform is required to submit a permit application to BSEE, and BSEE must approve the application before the company can begin removal operations. The host state is required to obtain a permit from the US Army Corp of Engineers to create a new reef site or add reef material to an existing artificial reef location. BSEE will not approve the operators permit application for removal operations until the US Army Corp of Engineers approves the state's application. In some cases, W & T has been waiting for approval for over three years on a single application. The current process involves multiple federal and state agencies, all with their own required internal review processes that must be completed. Often these processes overlap and are repetitive, but yet are not

managed in a parallel fashion. Each agency waits for the prior one to finalize its review, and then the next one starts. There are also no set time limits for each agency to complete their specific review and approval process, which makes it impossible for the company to make the required schedule commitments for the limited heavy lift vessels required for these operations. This often puts the company at risk of not meeting its OCSLA obligations of decommissioning and removing all structures within one year of lease termination. We have received citations, called an “Incidence of Non-Compliance”, from BSEE for not meeting this deadline even though the permit process was stalled awaiting another agency to complete its review process.

It would be useful for the agencies involved in the permitting process to work together on streamlining the permit process and specifically to set firm internal timelines that must be met for each step of the review process. This would provide the companies reasonable expectations for when approvals should be received and allow the work to be planned accordingly. It would also be useful for the state and federal agencies to agree on several pre-approved “Rig to Reef” sites across the various producing areas of the Gulf of Mexico. A company could consult with the state on the preferred reefing site, identify that pre-approved site in their production platform decommissioning permit application submitted to the BSEE, which could then approve that plan without having to consult with or receive additional approvals from the other agencies.

W & T currently has over 90 operated platforms in the Gulf of Mexico, the majority of which could be potential candidates for the Rigs to Reef Program in the future. It is our hope that this program can continue in order to preserve and expand the marine communities that have been established around our structures and allow future generations of fishermen and divers to enjoy all the amazing marine life in the Gulf of Mexico.