

Testimony  
Before the Subcommittee on Federal Financial Management, Government Information, Federal  
Services, and International Security  
Committee on Homeland Security and Governmental Affairs  
United States Senate  
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The Gulf of Mexico Oil Spill: Ensuring a Financially Responsible Recovery Part II

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Chairman Carper and Ranking Member McCain, my name is Jim Hackett, and I serve as the Chairman and Chief Executive Officer of Anadarko Petroleum Corporation.

The events surrounding the Deepwater Horizon explosion represent an unprecedented environmental disaster and a terrible tragedy, especially in terms of the 11 men who lost their lives and the families they left behind. Sadly, it continues to have a tremendous impact on the livelihoods of so many Gulf Coast families and communities. And while last week's development with BP's capping of the well has brought guarded hope that the situation may soon be under control, we must continue to keep the people of the Gulf in our hearts and prayers until their nightmare is truly over and the environment and regional economy have recovered. I know that all the men and women of Anadarko, indeed those of all of the companies associated with this well, feel a profound sense of sorrow over this tragedy. We are truly sorry this spill has caused so much pain and anxiety for so many people.

We, along with others in the industry, will continue to support the response efforts of the Unified Area Command with technical expertise and specialized equipment. We will also make sure that any of the net revenue Anadarko might receive from any captured oil will be given to the people of the Gulf.

I am here today on behalf of Anadarko's forty-three hundred employees, the many thousand contractor personnel and the other stakeholders of our company. While Anadarko has worldwide interests, we are a U.S.-based company, providing much of the nation's energy needs. Our portfolio of assets encompasses significant positions in seven U.S. states and in nearly a dozen major U.S. onshore natural gas resource ventures, making us one of the nation's largest producers of natural gas. We are also one of the largest holders of leases in the deepwater Gulf of Mexico, and one of the Gulf's largest producers of natural gas. We are proud of the jobs we create, our track record of operational excellence, and our environmental and safety record, not just in the Gulf, but worldwide.

Anadarko is appearing before you because we are a non-operating investor in the Macondo well, holding a twenty-five percent interest in the underlying lease. The relationship between the well's operator and non-operating investors is governed by the terms of a Joint Operating Agreement, which was executed by BP, Anadarko, and Mitsui (MOEX 2007 Offshore), which has a ten percent

interest in the well and is also represented here today. BP, as owner of the sixty-five percent majority interest, is the exclusive operator of the well. Majority operating interests and minority non-operating interests are common in oil exploration, primarily because of the enormous investments required to find and develop these vital resources.

This Subcommittee is rightly concerned that American taxpayers not be on the hook for costs related to the Gulf of Mexico oil spill. We completely agree. We are committed to meeting our obligations under the Oil Pollution Act to prevent that from happening. And we have agreed, in a letter sent to the Department of Justice earlier this month, to provide advance notice of substantial transfers of cash or assets from our company that are outside the ordinary course of our business to make clear that we will take no unilateral action that might adversely affect our ability to meet these obligations.

As Administration officials have noted, it is the government's practice to obtain recovery from the primary responsible party, in this case BP, and leave the allocation of that payment to the parties involved. We are in agreement with that approach, and will work with all to ensure that the government and the people affected by this tragedy continue to be reimbursed. We appreciate BP's recognition of its central role, and its publicly oft-stated agreement to pay all legitimate claims, so that the taxpayers do not get hurt. We expect BP will continue to honor that commitment.

Under the Joint Operating Agreement signed by the three owners of the Macondo well, BP is, as the exclusive operator of the well, the sole decision maker with respect to all operations. The operator of a well determines the detailed planning and execution of the well, and is responsible for the day-to-day activities of, and decisions executed by, personnel on the rig. Consistent with standard industry practice around the world, non-operating investors rely upon the operator to make the appropriate decisions affecting all operations on the rig. I am sure you agree that it would be impractical to drill a well by committee, and this is one of the reasons a single party is designated by the others as the operator. The operations of the Macondo well were conducted in this fashion, with BP controlling all operating decisions. As non-operating investors, Anadarko's and Mitsui's involvement was, by contract, limited to the receipt of operational updates, budget documents and drilling reports. These documents did not contain and, under industry standards, would not have contained, the detail necessary for an investor to analyze the bases of the operational decisions made by BP on a real-time basis. Also under the Joint Operating Agreement, no party is required to pay any costs or damages to the operator to the extent that they are incurred as a result of the operator's gross negligence or willful misconduct. This language is normally found in these kinds of agreements.

Of course, we are all still learning new facts about what caused this tragedy, and it may be too early to draw any definitive conclusions, but the facts disclosed so far are very disconcerting. Therefore, we have advised BP that, in light of the information that has been released to date regarding BP's operation of the well and the multiple ongoing investigations into the cause of the tragedy, we are deferring reimbursement to BP under the terms of the Joint Operating Agreement. At the appropriate time, we expect to have productive meetings with BP and Mitsui, so that we may work towards a solution that addresses our concerns without resorting to litigation. Nonetheless, I want to assure you that any actions Anadarko may take under the Agreement to protect its rights

relative to BP's failures as operator in the drilling of the well shall in no way affect our commitment to meet our obligations under applicable laws.

While the ultimate liabilities among the various parties are sorted out, the focus must remain on securing the leak, restoring the environment, compensating victims, concluding investigations and making sure that all information is released, so that the various causes of this tragedy can be clearly identified, fixed and not repeated. We need to get the Gulf Coast and our industry back to work so as to prevent further economic distress. As the Administration and many in Congress have recognized, the Gulf of Mexico deep water production remains a crucial part of our nation's energy supply today and in the future, yet it must be safely produced. We appreciate what this subcommittee and the Congress are doing to help in all these efforts, and we pledge our continued cooperation as well. Thank you.