

Prepared Statement

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Before the

Committee on the Judiciary  
U.S. House of Representatives

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Chairman Conyers, Ranking Member Smith, and Members of the Committee:

Thank you for the opportunity to share Halliburton's perspective as you review legal issues related to the explosion that occurred on the Deepwater Horizon on April 20. Halliburton looks forward to continuing to work with the Congress, the Administration, and the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling to understand what happened and what we can collectively do in the future to ensure that oil and gas production in the United States is undertaken in the safest, most environmentally responsible manner possible.

The April 20<sup>th</sup> catastrophic blowout, explosions and fire on the Deepwater Horizon rig and the spread of oil in the Gulf of Mexico are tragic events for everyone. The deaths and injuries to personnel working in our industry cannot be forgotten. Halliburton extends its heartfelt sympathy to the families, friends and colleagues of the 11 people who lost their lives and those workers injured in the tragedy.

At the outset, I want to assure you that Halliburton has and will continue to fully support, and cooperate with, the ongoing investigations into how and why this tragic event happened. We have produced approximately 50,000 pages of documents to the Committee and to the Administration, and we will continue to make our senior personnel available to brief Members and staff.

Halliburton had four employees stationed on the rig at the time of the incident. We are grateful that they returned to shore safely. Each has and will continue to be made available to assist the investigative efforts underway. In fact, two of our employees are scheduled to testify this week in the investigation being led by the Coast Guard in New Orleans.

Since the blowout, Halliburton has been working at the direction of the well owner to provide assistance in the effort to bring the well under control. This includes intervention support to help secure the damaged well and planning and services associated with drilling relief well operations.

Halliburton has deployed survey management experts to assist in planning the path of the relief wells and has mobilized its technology group to work in collaboration with another industry partner to combine our technologies in an effort to develop an integrated ranging system to expedite the intersection of the original well.

We trust that you recognize that Halliburton cannot make any judgment or offer any theories about what happened until the current investigations by the government and BP are complete and the facts concerning the activities on the Deepwater Horizon are determined. Thus, in my testimony today, I will not be addressing those issues, but instead will focus on the issues you posed in your invitation to testify.

### *Background on Halliburton*

As a global leader in oilfield services, Halliburton has been providing a variety of services to the oil and natural gas exploration and production industry for more than 90 years. Halliburton's areas of expertise are primarily in the upstream oil and gas industry. They include providing products and services for clients throughout the life cycle of the hydrocarbon reservoir--from locating hydrocarbons and managing geological data, to directional drilling and formation evaluation, well construction and completion, to optimizing production through the life of the field. The company is also engaged in developing and providing technologies for carbon sequestration and in providing services to the geothermal energy industry.

With respect to the Mississippi Canyon 252 well, Halliburton was contracted by the well owner to perform a variety of services on the rig. These included cementing, mud logging, directional drilling, and measurement-while-drilling services. In addition, Halliburton provided selected real-time drilling and rig data acquisition and transmission services to key personnel both on board the Deepwater Horizon and at various onshore locations. Halliburton is confident that the cementing work on the Mississippi Canyon 252 well was completed in accordance with the requirements of the well owner's well construction plan.

### *Legal Liability Issues*

Mr. Chairman, in announcing this hearing and in inviting Halliburton to testify, you asked that we "elaborate on [our] public statements about liability in this matter." In addition, you have expressed concern about waivers individuals were asked to sign as they returned to shore from the Deepwater Horizon. Finally, you have asked more generally about "legal liability issues surrounding the Gulf coast oil disaster."

With respect to waivers, Halliburton did not ask any of our four employees to sign a waiver or any other document as they returned to shore. Our Employee Assistance personnel were already in contact with their families and provided whatever aid and support the employees needed. Since

then, we have reached a settlement with one employee and another is considering doing so. Any such settlement involves a release by the employee.

With respect to the broader liability questions of interest to the Committee, we offer the following to help you better understand the issues that generally arise for work done on deep water wells in the Gulf of Mexico. It is important to understand the structure of the oil and gas exploration and production business and in particular the roles and responsibilities of the various parties involved in drilling a deep water well.

In the Gulf of Mexico, an oil company obtains from the government the rights to hydrocarbons that might be found and produced from reservoirs below the ocean floor. After meeting applicable regulatory requirements, the oil company (as the well owner) will then drill wells to search for and, where successful, extract oil and gas from beneath the seabed. To do that, the well owner will engage a drilling contractor and a number of other service and/or equipment companies for work on the well. The construction of a deep water well is a complex operation involving the performance of numerous tasks by multiple parties led by the well owner's representative, who has the ultimate authority for decisions on how and when various activities are conducted.

Halliburton, as a service provider to the well owner, is contractually bound to comply with the well owner's instructions on all matters relating to the performance of all work-related activities. That does not extend, however, to acts that would create an imminent safety hazard. Our employees are authorized to stop work in such a situation.

Over the years, certain industry practices have developed with respect to the allocation of potential liabilities that may arise from these operations. Since it is the well owner that is entering into agreements with the drilling contractor and with the various contractors and suppliers that will be working on the rig, the well owner will often establish a system of reciprocal indemnity obligations through those contracts, the effect of which is that each party will take responsibility for and hold the other parties harmless against liability to that party's own employees and property. Also, it is customary for the well owner to take responsibility for certain potentially catastrophic events, such as loss of control of the well, pollution emanating from the well, reservoir damage, and loss of production. Accordingly, the well owner assumes the obligation to indemnify the contractors for liability arising from such occurrences.

Although we are not familiar with the terms of the well owner's contracts with the other contractors that worked on the Deepwater Horizon, we do know that the terms of the applicable Halliburton contract are consistent with this common liability allocation arrangement. Therefore, it appears that Halliburton is obligated to indemnify and hold the well owner and the other contractors harmless with respect to claims by our employees and with respect to loss or damage to our property and equipment. In like manner, the well owner and each of the other contractors (assuming their contracts have provisions similar to that of Halliburton's) are bound to hold

Halliburton harmless against claims by their employees and for loss or damage to their property. Finally, the well owner has assumed the obligation to hold Halliburton, and other parties with similar terms in their contracts, harmless against the costs for controlling the well, as well as for cleanup of and damages caused by the associated oil pollution from the blowout.

As you can no doubt appreciate, there has already been an immense amount of litigation filed in connection with the blowout. As of May 23, 2010, for example, Halliburton had been named in 112 suits involving pollution damage claims and 4 suits bringing personal injury claims. These cases have been filed in multiple state and federal district courts.

### *Safety Culture and Record*

To put these liability issues in perspective, I want to close by reviewing our commitment to safety and our record in ensuring the health and safety of our employees. At Halliburton, we view Health, Safety, Environment and Operational Excellence as critical to our success and to long-term sustainability. We are committed to continuously improving our performance. Under our Corporate HS&E Policy, we mandate that everyone in the company must comply with all applicable laws and relevant industry standards of practice to protect the health and safety of our employees and to prevent environmental pollution. We continuously evaluate the health, safety and environmental aspects of our products and services. Our goal is to develop and provide products and services that have no undue environmental impact and are safe in their intended use, efficient in their consumption of energy, and which can be recycled, reused or disposed of safely.

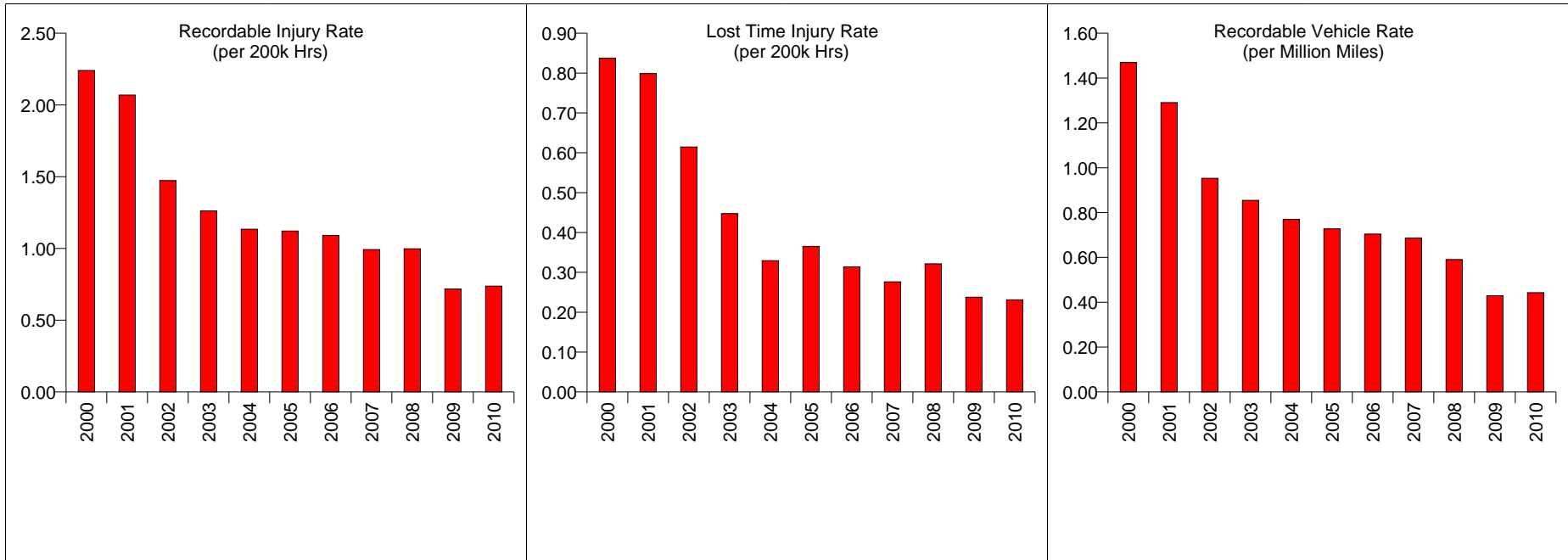
How have we done in protecting the health and safety of our workers? Since 2000, as shown in the attached chart, we have decreased substantially our recordable injury rate, our lost time injury rate, and our recordable vehicle incident rate. We are proud of that record. But since nothing is more important than the safety of our employees, we will endeavor to improve on that solid record in the future.

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In closing, I want to reiterate what I said at the outset of my remarks: Halliburton looks forward to continuing to work with the Congress, the Administration, and the National Commission to understand what happened and what we collectively can do in the future to ensure that oil and gas production in the United States is undertaken in the safest, most environmentally responsible manner possible.

Thank you for the opportunity to share our views.

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## Definitions

### Recordable

Work related deaths; nonfatal work related illness; and those nonfatal work related injuries which involve one or more of the following: loss of consciousness, restriction of work or motion, transfer to another job, or medical treatment (other than first aid).

### Restricted

Any work related injury or illness that involves restricted duty. Restricted work days occur when an employee can return to work, but cannot perform any or all parts of his/her normal duties.

### Lost Time

Any work related injury or illness, which results in days away from work.

### Fatality

Any work related death while engaged in Halliburton Company business.

### Recordable Vehicle

Fatality - Any vehicle incident which results in the death of one or more persons regardless of whether they are employed with Halliburton.

Injury - Any vehicle incident which results in an injury (to any personnel involved) requiring treatment away from the scene of the incident.

Vehicle Damage/Tow Away - Any vehicle incident requiring one of the vehicles involved to be towed away from the scene of the incident. This does not include:

- Damage which can be remedied temporarily at the scene without special tools or parts
- Tire disablement without other damage
- Headlamp or taillight damage
- Damage to turn signals, horns, or windshield wiper

Hazardous Materials Spill - Any unintentional release of hazardous materials other than fuel from the fuel tanks of the vehicle.

### Rates

Injury Incident Rates are based on injuries per 200,000 hours worked. This standard ratio is based on 100 employees each working 2,000 hours per year. In other words the 'rate' could also be stated as 1.28 injuries per 100 workers. This normalization allows more accurate comparisons across industries and takes into account changes in business activity. The formula is  $(\text{Number of incidents} \times 200,000) / \text{Hours}$ . Vehicle rates are based on 1 million miles

[For more details see Halliburton Reporting Standard C1S8](#)