BP North America

Moderator: Scott Dean
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Operator: Good afternoon. Today's P.M. technical briefing will now begin. I will now turn the call over to Scott Dean with the BP press office.

Scott Dean: Thank you, Operator.

Welcome, everyone, to the BP technical briefing. Today we have senior vice president Kent Wells, who will give a technical briefing on subsea operations and take some questions. As usual, standard ground rules, please limit yourselves to a single question, and I'll turn it over to Kent Wells.

Kent Wells: Thank you. Good afternoon, everyone. Welcome.

I'd like to cover three things today – weather, the relief well, and the monitoring we're doing on the Macondo well. First, let me start with the weather. I'm sure you have heard or aware, there's a disturbance in the Gulf of Mexico, in the eastern gulf, just off the West Coast of Florida.

The National Hurricane Center is predicting that there's a 70 percent chance of this becoming a tropical cyclone over the next 48 hours. It seems to be moving in the range of 5 to 10 miles per hour, which is fairly slow. And if you look at hurricane tracks, they have it broadly coming over top of our site. And so there's the chance it could be a tropical storm by the time it's there.

When we looked at our operations and the criticality of where we were, with an overabundance of caution, we decided to suspend our activity and wait for

the storm to go by. We wouldn't want to be in the middle of a critical operation while we've got potentially a tropical storm going by.

So let me – so that's the key news today is the weather and what that's causing us to do. So now let me talk about the relief well.

So the relief well being drilled by the DD3, over the last couple days, as you've – as we've reported to you, we've drilled down to a depth of 17,909 feet. That's some 50 feet outside of the last string of casing. We performed our open-hole ranging run there, feel very good about where our position is in order to continue on with the intersect.

We've got another call it 50 feet to drill before our planned intersect could happen. Of course, as you start to get this close to the well, you could intersect at any point. And that was when we thought, with this storm coming, we need to just take an overabundance of caution and wait, let the storm go by, and then continue on.

Our plan is to drill another 30 feet, take another ranging run, drill another 15 feet, et cetera. And somewhere along there, we expect to do the – accomplish the intersect at that point. But for now, what we're doing is just waiting for the storm to go by, and then we'll continue to progress.

So what we're doing to wait for the storm to go by is we are pulling out of the hole. We're going to run in – remember, last time we had a storm go by, we ran a storm packer. We'll run the storm packer, but what we're going to do differently this time is we're not going to disconnect the riser and we're not going to move off the location.

But basically we'll have the storm riser – or the storm packer in place in case for whatever reason we did need to disconnect, we're prepared to do that, but we believe that the wave heights and winds will be such that we can easily ride this out on location. So that's the plan for the relief well.

And then once the storm goes by, it'll take us about 24 hours or so to get ourselves back to being in a position to drill again. And so what we've

decided to do is take advantage of that time to do some additional testing on the Macondo well.

And so since we've done the cementing procedure a few days back, what we've been doing is holding pressure on top of the cement plug, monitoring that pressure, and it's been holding relatively constant with the exception of the pressure we lose because of the bubbles that are coming out of the capping stack. Those are the bubbles that we've had there since the beginning, and they just continue to go on as a result. We lose a little bit of pressure each hour, but it's been very constant. And then we continue to do with all of our other monitoring, as well, and have seen no anomalies.

What we're going to do after the storm passes is we're actually going to take the pressure on the stacking cap down, so right now it's roughly around 4,200 PSI. We'll take it down somewhere between 2,500 and 3,000 PSI. And as opposed to – I'll call it getting it to hold pressure on (top of it), we'll be looking to test it from the bottom.

So, once again, it's just another way for us to confirm that the cement that we have in the casing is completely isolated, the zone from the rest of the wellbore. And what it'll also allow us to do is potentially give us some information on what might be going on, on the annulus side.

And as we're drilling the relief well, the more we know about the annulus (is which will intersect) the better. So this test that we'll do may give us some indication on what pressure we might see when we drill into the annulus, might give us some indication on what fluids might be in there, whether it be mud or hydrocarbon.

But we won't know that until such time as we've done the test, we can look at the data, and then we'll see if that gives us any information that will help us as we're planning the relief well.

And basically, it's a fairly simple test. We take the pressure down. We monitor what the pressure is over about a four- or five-hour period. And then looking at what we saw just gives us more information as we're planning the relief well.

So that's our plan going forward. The dominant thing is the weather, and we'll see how this storm develops and moves past, and when it does, we'll resume our operations as I've laid out.

And with that, I'll open it for any questions.

Operator: Ladies and gentlemen, if you would like to ask a question at this time, please press star, followed by the number one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

And your first question is from the line of Kristen Hays with Reuters.

Kristen Hays: Hi, Kent. Thanks for doing the briefing today. In his call earlier today, Thad Allen mentioned that you would kind of figure out how to proceed with the relief well depending on what you find, what this test might tell you, what's in or not in the annulus. So can you tell us, what – how would the relief well work, if you think oil is there, whether it's flowing or still? And how would it work if you think there's no oil there?

Kent Wells: Yes, Kristen, good question. The key thing – what we want to understand is, when we make the intersect, what do we think we will see in the relief well as we're drilling it? And so if – and because we'll be drilling the relief well with 13.8 pound per gallon mud, based – which means it'll be overpressured. The mud will flow from the relief well into the Macondo well.

What we'll look for is to see through the testing, do we expect the pressure to be higher to lower? Will it be connected to the reservoir or not? So it's always a possibility when we pump the cement down the casing that it also completely covered the reservoir and isolated it from the annulus. We would want to know that information if we can before we drill – and it will just help us understand better as we come in with the relief well what to expect.

And so that's some additional information that we hope to gather, and it'll help us in planning, knowing what to expect for the relief well, and, you know, what we're always trying to do is know what we're doing to minimize any risks.

Operator: Your next question comes from Jim Polson with Bloomberg.

Jim Polson: Yes, Kent, Admiral Allen seemed to sort of suggest that there's a possibility that the cement that was put down the casing might actually have gone into the reservoir and back up into the annulus and plugged it. Do you have any – you know, what do you expect? Is there a half a chance that that happened? Or is that something you'll be looking for, as well?

Kent Wells: Great question, Jim. Of course, we don't know. That's really a possibility. We do know that we pumped about 200 barrels or so out of the casing. Did it go into the reservoir? Did some go into the reservoir? Did some go up in the annulus? That's an unknown.

This pressure test we're going to do once the storm goes past may give us some insights into that. It may help us understand whether the annulus is connected to reservoir, and so we'll see if we can gain some information on that. If it does, we'll certainly use that information to plan our activity going forward, and we'll share that with you. But at this point, we really don't know. But that's the reason behind the test.

Operator: Your next question comes from Joel Achenbach with Washington Post.

Joel Achenbach: Again, thanks, Kent, for taking questions. Last week, you may have heard that Robert Gibbs had said that things would have gone differently had the administration not pushed BP to have a more robust response or be faster. And I think specifically, you know, there was some exchange of letters back in early June between (Rear Admiral Watson) and Doug Suttles about the containment options. And the government had asked BP to have more containment capacity.

I mean, can you just tell us whether or not that's a fair interpretation, that the government played a key role in pushing BP to solve this thing faster?

And a related question would be, the whole idea of the three-ram capping stack, when did that plan originate? When did BP start devising that tight-fitting cap?

Kent Wells: Yes, Joel, I've got a philosophy that when you're in the middle of the response, you stay focused on the response. When the response is over, that's a good time to analyze how the response went and decide what could have been done better. And so I think there's another day to talk about your first question.

In terms of the capping stack, it was actually April 24th, so just four or five days after the event we actually – as we were coming up with our different parallel paths, we looked at the concept of putting a valve on top of the – on top of the BOP.

And we had a number of different ways that we can do it. One of them was to disconnect the flanging connected as the way we did it. So it kind of – the earliest idea concept goes all the way back to about five days after the event first happened.

But, of course, what we had to do then is we had to do a bunch of analysis to figure out that it would work. We had to design some equipment and actually get it built. And if you remember, I talked earlier, we actually spent about a week-and-a-half to two weeks actually testing, practicing on surface how we would install it, because it's quite tricky, and that proved invaluable when we actually did it, and we were lowering it down, and it didn't quite fit, and we knew how to pick it up and adjust it a bit and get it to go back on. So that's sort of the timeframe of the capping stack.

Operator: Your next question is from Richard Harris with NPR.

Richard Harris: Hi, I'm going to try a tough question, because – or tough to understand, maybe, a little bit, but I've got a mental picture of what's going on, and I hope you can tell me if that picture is right and, if not, if it's not right.

What I picture is, there's only a single thickness of casing that extends through the reservoir and into the formation below. And the cement that you pump down has gone to the – actually gone below the reservoir and has come back up around the edge of that single casing, and you apparently have a seal there.

Now, the relief well is going into the well above the formation, where there are actually two layers of casing. That interior casing I just talked about, another set of casing outside of it. And the question – and the inner – the inner one is, of course, full of cement. The question is, what you're trying to figure out is the condition of the annulus between that inner casing and that liner, and that's what's unknown.

But my father said, if the cement plug in the bottom has actually neutralized the pressure in the well, wouldn't there have had to be been two (failures), if you also found oil in the annulus above the reservoir?

Kent Wells: Well, Richard, that's quite a mouthful. Let me see if I got all this. So on the part on the cementing, yes, the casing goes down to the bottom of the well. We pump the cement down the casing. It goes out, round what we call the shoe, and starts to come back up the annulus.

What we don't know is, did it all just go into the formation? Did some go in and did some come further up?

We're planning to intersect the well about 800 feet above the reservoir. Now, we are – currently, we're right at – your description is right. We have casing inside of casing. And where we are right now with the relief well, we're just at the shoe of the outer casing. And so we're now going to start to go down to the place where we can intersect the annulus.

And the annulus we're describing is the annulus between the casing of the Macondo well and just the rock formation. It's not an annulus between casing and casing. We're going to intersect it at a point where it's basically rock and then there's an annulus and then there's casing. And that's where we plan to intersect.

And what we don't know is exactly what we'll find in that annulus. It could be mud. It could be oil. It could be cement. We just don't know, and that's what we're trying to get a little more insight in when we do this test. It won't necessarily be conclusive, but it might give us some insight on that.

Operator: Your next question comes from the line of Vivian Kuo with CNN.

Vivian Kuo: Hi there, Kent. Thanks for taking the question. Is it right to say that the bottom kill won't require an injectivity test like the static kill did? And if that's the case, how long would it take between drilling into the annulus and actually beginning the pumping the heavy mud and cement?

Kent Wells: Yes, another good question, Vivian. There's a number of different scenarios, as we drill into the annulus. Is the formation completely cemented and sealed off already? That would be one thing. If it's not, it would be another.

So when we drill into it and we have this higher hydrostatic pressure coming from the relief well, where does that go? Does it go down into the formation? Does it just go into a static situation?

And then based on what we see when we first do it, that will then depict upon what we might need to do in a kill procedure and then what we might need to do, whether we need to cement it, et cetera, at that point. So all of those things will have to be decided as we start to gather information, first of all, with this test we're going to do on the Macondo well, but then also as we make the intersection, we'll see things, and based on that, we'll have to decide what the proper kill and cementing procedure is at that point.

Operator: Your final question comes from the line of Jaquetta White with the Times-Picayune.

Jaquetta White: ... for taking questions. I wondered, the results of the test, will that tell you how much mud should be pumped or at what rate it should be pumped? I guess I'm just trying to figure out, based on what you learn, what will be the different actions that you could take?

And also, is there a new interception date, given the delay because of weather?

Kent Wells: OK. What the pressure test is going to do is it's going to hopefully give us some more information. First of all, it'll help us understand about the cement (inaudible) and then, second of all, it'll hopefully give us some information on the annulus.

It might tell us whether we're connected to the formation or not. That's important. It won't tell us how much mud we might need to pump, but it would be important for us to understand as we make the intersection what we might expect to see.

And then it might also give us some indication, based on what we see for pressures on what the fluids would be, and that might also help us to design how we might want to go about killing it or how we might want to go about cementing it.

But until we actually see those results, it's kind of difficult to say exactly what it might do. We need to look at the information closely and see what we can draw from it.

In terms of the intersection point, you know, assuming – once we get back to drilling, we've go to drill about 30 feet and then do another ranging run, and then drill another 15 feet, do another ranging run, et cetera. So that could take a number of days to do that.

But we could, I'll call it, intersect at any time. It's always possible. So some time – we have lost probably two to three days. We had expected to intersect, you know, sort of Friday, Saturday. It could very well be somewhere between Sunday and Tuesday. But we'll just have to, first of all, see how the storm goes by, and when we get back to drilling, and then just how things are going, and we'll keep you posted along the way.

Operator: And I will now turn this call back over to Scott Dean with any closing remarks.

Scott Dean: Well, thank you for attending, everyone. If you have any follow-up questions, please contact us at the BP press office, 281-366-0265. Thank you again for dialing in. Goodbye.

Operator: Thank you for participating in today's conference call. You may now disconnect.

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