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9-17-82

Special Session
STATE OIL AND GAS BOARD OF ALABAMA
July 30, 1982

Testimony and proceedings before the State Oil and Gas Board of Alabama, in the Board Room of the State Oil and Gas Board Building, University Campus, Tuscaloosa Alabama, on this the 30th day of July, 1982.

BEFORE:

BOARD MEMBERS

Dr. Ralph Adams.....Chairman
Mr. Gaines McCorquodale.....Associate Member
Mr. James G. Lee.....Associate Member

BOARD STAFF

Dr. Ernest A. Mancini..... Secretary & Supervisor
Mr. John A. Carey..... Attorney
Mr. Jay Masingill.....Operations Chief, Oil
and Gas Board Staff
Mr. Ralph Hellmich.....Southern Regional Supervisor
Mr. Doug Hall.....Head, Drilling
and Permitting Section
Dr. Scott Mettee.....Ecologist and Division Chief of
Environmental Division, Geological
Survey of Alabama
Mr. Everett Smith....Operations Chief and Supervisor of Water
Quality-Geochemistry Lab
Geological Survey of Alabama

(Reported by Jean W. Smith)

SHOW CAUSE HEARING

Mobil Oil Corporation

July 30, 1982

(The Special Session of the Hearing was convened
at 2:25 P.M. at Tuscaloosa, Alabama)

CHMN. ADAMS: Let the record reflect that the Oil and Gas Board is now in session.

MR. CAREY: Before we get started, I'd like to make a brief statement. July 6, 1982, the State Oil and Gas Board sent a letter addressed to Mr. F. D. Musson of Mobil Oil Company requesting that he appear before the Board today at a show cause hearing to show cause why Mobil should not be found in violation of the rules and regulations of the Board and subject to the \$1,000 per day fine as provided for in Section 9-17-32 of the Alabama Code. On June 29, 1982, Mobil notified the Board that a discharge in the Mobile Bay had occurred from the Mobil Rowan drilling rig No. 4, Permit No. 3135-0S-6B. On July 2, 1982, officers of Mobil met with the Board's staff to confirm that a discharge had occurred on April 25, 1982. At that meeting, Mobil told the Board's staff that they were conducting an investigation to determine the nature, volume, and frequency of

the discharge. Rule OS-3 of the Rules and Regulations of the Board prohibits the discharge of oil, liquid waste material, drilling mud, and solid waste material into the water. On July 22, 1982, the Board sent another letter addressed to Mr. Ken F. Keller, President of Mobil Oil Exploration, advising him that the show cause hearing was voluntary on Mobil's part and that this was not a subpoena, and that the show cause hearing was part of the Board's ongoing fact-finding inquiry on the nature, volume, and frequency of discharges by Mobil into state waters. The way we're going to handle the hearing today is when I get through Dr. Mancini is going to have a brief statement and then we're gonna ask Mobil to come forth and provide the Board with a report on the nature of the discharges. After that there may be questions from the Board's staff. If there are any members of the audience here today who wish to make a statement that's germane to the issue of the discharge, they will be allowed to do so but we request that they limit their comments to three minutes. Also, since this is not a trial and is a voluntary show cause hearing, we will not allow any cross-examination or interrogation of Mobil by members of the audience.

Dr. Mancini.

DR. MANCINI: The Board is concerned about the confirmed discharge into Mobile Bay on April 25, 1982, and even more concerned about the possibility of additional discharges as indicated by Mr. Keller's statement to AWIC. At the July 2, 1982, meeting with Mobil and the Board's staff, Mobil informed us that they were conducting an investigation to determine the nature, the volume, and frequency of the discharge into Mobile Bay from the Mobil Rowan drilling rig No. 4. I would ask now if Mobil is prepared to elaborate on these discharges?

MR. REAMS: We are.

DR. MANCINI: If so...

MR. REAMS: Not complete--the investigation is not complete but we are ready to elaborate.

DR. MANCINI: If so, the Board is also interested in knowing about the circumstances under which the dumping occurred and whether, in Mobil's opinion, there has been any adverse environmental effects on the Bay or marine life. Before you begin, I'd like to introduce staff members who will be listening to your statements. Immediately to my right are Dr. Scott Mettee, ecologist and Division Chief for the Environmental

Division of the Geological Survey of Alabama. He is the principal investigator for the biological component for the oil and gas monitoring program for the Oil and Gas Board. Next is Mr. Everett Smith, Operations Chief and Supervisor of the Water Quality-Geochemistry Lab of the Geological Survey of Alabama. He is the project director for the oil and gas field monitoring program for the Oil and Gas Board. Next, Mr. Jay Masingill, Operations Chief, Oil and Gas Board staff; next, Mr. Doug Hall, Head, Drilling and Permitting Section, Oil and Gas Board staff; and next, Mr. Ralph Hellmich, Southern Regional Supervisor of the Mobile office in charge of monitoring Mobile Bay operations, Oil and Gas Board staff. Would you please proceed?

MR. REAMS: Mr. Chairman, and gentlemen of the Board, and gentlemen of the staff, for the record, my name is Dewitt Reams, lawyer from Mobile, Alabama, representing Mobil, and Mr. Everett McCrum, if I could please, Everett, if you would--may we use that chair?--who is chief counsel for MOEPSI, we call it, in New Orleans, will be sitting with me. We will have four witnesses whom we would like to swear to make statements, two I'd

like to have sworn to make statements to the Board, and then we have other personnel present if need be to attempt to answer any additional questions which we may have in this. The four witnesses whom we have will be Mr. Keller, the President of Mobil Oil Exploration and Producing Southeast, MOEPSI you'll probably hear it called more than otherwise. Then we also will have Mr. Bob Draper who is Vice President of MOEPSI. We will have the Production Manager, Mr. Al Lobrecht, and then the Project Manager for the Mobile Bay, Mr. Musson, who will be making the formal statements. We expect these statements to show you that the management of Mobil had no knowledge of any of the discharges until a report was received on June 18 which triggered an investigation that followed, that certainly if they had known anything about it they would have stopped it previously, but as soon as they learned what was happening that they did take steps to correct and see to it that there was not any further discharge, that they started a special sampling program. There was already a testing program that was underway that had been arranged with the AWIC and with the Coastal Area Board, but also that a special testing program was instituted

to determine whether or not any harm or damage had been done to the environment and we expect the results of that program to date does not indicate any harm to the environment on the areas that have been tested, and perhaps more importantly so far as the Board is concerned, we expect the testimony to show you that a new and more strict program has been instituted which will prevent happening in the future what happened in the past. We don't think that there was any reason why the management of MOEPSI should have anticipated that what occurred would occur, but since we know that it has occurred this time we don't think there will be any real insurmountable problem in preventing it happening in the future, and if I might I'd like to request that Mr. Keller, Mr. Draper, Mr. Lobrecht, and Mr. Musson come forward and be sworn.

MR. CAREY: Starting here, would you state your name and address clearly for the record?

FIRST WITNESS: My name is Kenneth Keller. I'm President of MOEPSI in New Orleans.

SECOND WITNESS: I'm F. D. Musson, venture manager for Mobil in New Orleans.

THIRD WITNESS: Robert L. Draper, Vice President, MOEPSI,
New Orleans.

FOURTH WITNESS: Alfred P. Lobrecht, Producing Manager in
New Orleans.

(Witnesses were sworn by Mr. Carey)

MR. REAMS: Mr. Keller will be the first witness.

KENNETH KELLER

Appearing as a witness on behalf of MOEPSI testified as
follows:

DIRECT EXAMINATION

Questions by Mr. Reams:

Q Mr. Keller, are you prepared to make a statement to
the Board in regard to the discharges and the investigation
that has been made?

A Yes, sir.

Q Will you please proceed then?

A I'm Kenneth F. Keller, President and General Manager of
Mobil Oil Exploration and Producing Southeast Inc., with
headquarters in New Orleans, Louisiana. As reported to
the Alabama Water Improvement Commission on July 12, our

Mobile Bay venture manager, Mr. F. D. Musson, received a phone call late Friday afternoon, June 18, from a Mobile attorney. The attorney identified himself and indicated he had a client who preferred to remain anonymous but who wanted Mr. Musson to receive a message. The essence of the message was this: Some 60 days earlier a Mobil rig in Mobile Bay was observed to have turned its lights off at night and dumped liquid waste into the Bay and the client had documented proof that this had occurred several times. According to the attorney, his client did not expect any response to the message and did not want anything for himself. Mobil should, however, do something good for the people of Mobile County through the County Commissioner. I was out of town on June 18 but members of my New Orleans' staff reported the allegation to me early Monday morning, the 21st. My reaction and that of the other managers present was one of amazement and disbelief. We had never heard any such allegation before and could not believe there was any truth to it. Moreover, we could not see any motive for anyone on our rigs to purposely engage in such action. To comply with our no discharge permits, we

had ordered and have in fact kept barges at all Mobile Bay drilling rigs. These barges are there to receive and to carry all waste, including water, from the rigs to an approved onshore disposal site. Nevertheless, I ordered that our people immediately look into the allegation and report back to me. However, I also instructed them that in no way would Mobil attempt to cover up anything or offer anyone any compensation to do so. Pursuant to this order, we reviewed drilling logs and other records for the previous two to three months to determine any recorded evidence of the rig lights being turned off or of any discharge, accidental or otherwise, into the Bay. Through our Alabama counsel we also tried, without success, to determine from the Mobile attorney what documentary evidence his client had. When on Friday, June 25, we had not turned up anything significant, we took additional action. We designated a Mobil employee to talk to persons who might have been on the rig during the time frame in question. Early on Tuesday morning, June 29, my senior staff and I received verbal reports that I can best describe as shocking. These reports provided the first

indication that on at least one occasion in April 1982 water had been pumped into the Bay from the hopper barge which is used to collect the rig liquids and the solids. With evidence of a discharge, which, if confirmed, would have been in violation of Mobil management policy and directives, we immediately on the same day reported the matter to Dr. Mancini, to the Water Improvement Commission, and to other appropriate State and Federal agencies, including the U.S. Army Corps of Engineers. We also issued a press release and held a press conference in Mobile on Thursday, July 1, so that the public would know what we have discovered and what we are doing about it. I characterize the June 29 verbal reports as shocking because neither have I nor any other members of our Mobil management team in New Orleans had any reason to believe that the Mobil management policy of strict compliance with the no discharge requirements and its implementation in our Mobile Bay operations could produce anything but a discharge free project. Our policy and directives have been widely disseminated through all levels of the Mobil organization.

Before operations commenced on each of the three wells that we have drilled in the Bay, we have had meetings with top management of our drilling contractors and other major contractors. We call these summit meetings to get the attention of the very top managers of the companies that we will be dealing with. Either I or my Vice President and other key managers of the New Orleans staff were personally present at these meetings and on two occasions the Mobil Oil Corporation Producing Manager from New York was also there to help impress the contractors with the nature of our operation, and our contractors responded by sending some of the high level representatives in their companies. We stressed Mobil's commitment both to a first quality project and to full compliance with all government requirements including the no discharge condition. We told them we expected their full cooperation, that we would not tolerate anything less than first quality equipment and their best people, that Mobile Bay was not the place to try to save money through procedural shortcuts or utilizing inferior equipment. We emphasized that both

Mobil and they must comply fully with the no discharge conditions. In addition to the management level meetings, separate meetings are held for other Mobil and contractor personnel. Training courses are held at our field offices in Morgan City, Louisiana, for individuals who would be directly involved in the Mobile Bay operations. At each of these gatherings, the no discharge requirements were discussed. The written Mobil drilling program and completion test procedures, two documents prepared for each of the wells, also clearly referenced the no discharge requirements. Mobil employees were also made aware of the no discharge restrictions through staff meetings, public statements, and numerous speeches by Mobil managers. The effectiveness of Mobil's dissemination of information about the no discharge condition is evidenced by the results of our legal investigation which I'll describe fully in a moment. These results indicate that virtually to the man the people on the rig and their supervisors who knew they--knew they weren't supposed to discharge anything in the Mobile Bay. In spite of all this, we were confronted on June 29 with evidence that water had been pumped from

the hopper barge into the Bay contrary to our policies and directives. We took two immediate major actions. We ordered a full and thorough investigation to determine if there had been discharges other than the confirmed one in April '82, and we immediately started an extensive and detailed Mobile Bay monitoring and analysis program to determine if any environmental impact on the Bay, if there was an impact on the Bay from improper discharges. Investigations started the next day after we received information that on the one occasion in April water had been pumped from the hopper barge into the Bay. Its purpose was threefold. One, to fully comply with the investigative requirements of our settlement agreement with the Alabama Water Improvement Commission, and two, to try to determine what actually did happen, and three, to determine what additional steps should be taken to prevent any improper discharges in the future. Mobil retained the Mobile, Alabama, law firm of Reams, Woods, Vollmer, et al, to conduct this independent investigation. The firm provided the services of a top quality professional investigator, Mr. James A. Day, who had more than

20 years prior experience as an FBI investigator. Mr. Day has interviewed more than 100 Mobil employees and ex-employees, including all managers and supervisors connected with the project from the President and General Manager down the line to the lowest level employee at the work site. About 20 employees of our drilling contractors, Rowan and Penrod, have also been interviewed with permission from these companies. Our Alabama counsel have now studied the materials obtained from this investigation. The investigation indicates essentially the following: (1) Improper discharges from the barges provided to haul away all rig waste did occur during operations on both the 94-2 and the 95-1 appraisal wells. Some Mobil employees on or working at the two rigs, the Penrod 65 and Rowan 4, either participated in or were aware of improper discharges from the barges. (3) Improper discharges occurred intermittently over a period of time possibly extending from the Spring of 1981 to June of 1982. The discharges generally occurred at night to avoid detection. The exact number and fre-

quency of such discharges, as well as the nature and quantity of fluids discharged, cannot be ascertained from the investigation since no records of the discharges were kept and since there is some conflict in the statements of persons interviewed. We doubt these matters can ever be ascertained with any degree of exactness. Item 4, all wastes from the rig were, in fact, deposited into the hopper barges alongside the rigs and no wastes were put directly into Mobile Bay from the drilling rigs. Each barge has four compartments. Generally, the middle two compartments were used to receive solid waste and drilling fluids and the two end compartments were used to receive liquids, water from the deck, drains, and sanitary units. To maintain proper trim and stability of the barge, liquids were frequently pumped from one compartment to another. On occasion this same pump was also used to pump water from the two end compartments of the barge into the Bay. (5) Persons responsible for the improper discharge, discharges, stated they went to great lengths to make sure only water would be discharged. The investigation suggests a concerted effort to eliminate

any oil or other liquids or solids from the water being pumped overboard from the barges. (6) Why the improper discharges occurred is still not clear. The few individuals who expressed an opinion thought it was saving time or saving Mobil money by sending less waste to the approved disposal site whereby saving the rental of extra barges. Many of the workers indicated the requirements were substantially more stringent than they had ever encountered in their work experience on offshore rigs. Some suggested they thought the requirements were simply unnecessary since, as they correctly stated, water, mud, cuttings, treated waste, and clear deck drainage are lawfully and routinely discharged into Federal OCS waters as well as in the state waters of Louisiana and Texas without harm to the environment. Virtually to the man, however, the interviewees were well aware of the no discharge requirements from Mobil's Mobile Bay operations. As you know, the Alabama Attorney General has also started his own independent investigation of the improper discharges from the barges in the Mobile Bay. Mobil is cooperating with this investigation and

has (1) provided the Attorney General a list of Mobil employees associated with activities on the 94-2 and 95-1 appraisal wells as well as lists of employees of contractors, including those of Penrod and Rowan; (2) Mobil has agreed to have Mobil employees on this present list, on this list present, at the locations where the Attorney General's staff are interviewing individuals during this investigation. In this connection, we have already made some 70 Mobil employees available at the Attorney General's questioning rooms in New Orleans; (3) Mobil has agreed to furnish the Attorney General copies of the statements to Mr. James Day by those Mobil employees who have authorized their statements to be given to the Attorney General. Virtually all of the Mobil employees have, we understand, already provided these statements to the Attorney General's staff in New Orleans. We certainly will continue to cooperate fully with the Attorney General's investigation. The monitoring and analysis program instituted immediately in accordance with our settlement agreement with the Alabama Water Improvement Commission had been developed

jointly by Mobil and AWIC to assure that the needs of that agency and other concerned agencies were met. The results of this study are contained in a report entitled "Comparison of Chemical Analysis of Resource Sampling Sites, Baseline, April 1982 and July 1982." The work was done by Sanders Engineering and Analytical Service, Inc., of Mobile, a company approved by AWIC for this purpose. Copies of the Sanders report were hand delivered to the Oil and Gas Board and other concerned agencies on Friday, July 16. The conclusions of this report read:

- (1) There appears to be no increase in the concentration of any contaminant which can be associated with the presence of Mobil's activities in Mobile Bay at any of the resource sampling sites;
- (2) Any change in concentrations of parameters monitored is felt to be variation in background levels;
- (3) We have concluded from examination and analysis of the data that there has been no appreciable change in the chemical makeup of any of the sediments at any of the sampling locations for the past 18 months. If a discharge or spill has occurred, its effect could not

be detected from analyses of samples taken at locations prescribed in the contingency spill monitoring plan for, plan for proposed appraisal exploratory wells, Lower Mobile Bay. In addition to this program, Mobil has instituted special monitoring and analysis going well beyond that mandated by the AWIC plan. The scope of this additional program has been communicated and discussed with the staffs of the Oil and Gas Board and various other concerned agencies. This work is ongoing at the present time. It involves a great deal, a great amount, of additional sampling. Because of its scope and complexity, we are unable to provide even preliminary statements on the outcome. When this project is finished and results are accumulated into a technical, scientific report, however, that document will be presented to and discussed with all concerned agencies. We now estimate the additional monitoring and analysis will be ready by the latter part of August. Our Producing Manager, A.P. Lobrecht, will address what will be done to assure the Oil and Gas Board and other agencies that improper discharges will not occur in the future. In closing, let me emphasize that I have worked in the Mobil organization

for 36 years, over 30 of them in a management capacity. Mobil policy has consistently been, is now, and will remain one of full compliance with our contractual obligations and with all valid and applicable statutes and government rules, regulations, and orders. This policy originates from the uppermost level of Mobil Corporation's structure. The managers and supervisors and all Mobil units and affiliates are repeatedly reminded of this policy. No one in our organization has anything to gain and a great deal to lose by not adhering rigidly to this policy. I can assure you I personally have adhered to the policy. With respect to our Mobile Bay operations, I knew absolutely nothing of any unreported discharges before the week beginning June 21, 1982. I never authorized any discharge into Mobile Bay. Had I known of any discharge, I would certainly not have condoned it but would have ordered it stopped immediately. Individuals violating Mobil's policy and directives on no discharges will be disciplined in the very near future. Incidentally, I will be leaving my present Mobil assignment for one, a new one, in Dallas,

Texas, effective August 1. Since I suppose one could infer that my leaving is related to what has happened in Mobile Bay, let me assure you that the two occurrences are totally unrelated. As a matter of fact, I formally accepted my new assignment, which I consider to be a nice promotion, on March 31, 1982. Delay in announcing it and in making it effective has been occasioned by other Mobil events in the international scene, including our problems in Libya. In the meantime, I, my successor, Mr. Charles Spruiell, who is here today, and the other members of Mobil's management team assure you of our continuing dedication to be a good corporate citizen of Alabama and pledge to you our cooperation.

MR. REAMS: Mr. Chairman, I didn't inquire at the beginning whether you wish to ask questions of the individual witnesses or whether we should complete the presentation and then have them all available.

MR. MCCORQUODALE: Complete it.

MR. REAMS: Mr. Lobrecht will be our next witness then.

A. P. LOBRECHT

Appearing as a witness on behalf of MOESPI testified as follows:

DIRECT EXAMINATION

Questions by Mr. Reams:

Q You are Mr. Al Lobrecht and you are Production Manager for MOEPSI?

A That's right.

Q And have you made--have you prepared a statement for the Board?

A Yes, I have.

Q Will you proceed with it, please?

A I am A. P. Lobrecht, Producing Manager of Mobil Oil Exploration and Producing Southeast. I've worked for Mobil 34 years. I'd first like to state that I knew absolutely nothing of any deliberate discharges or unreported accidental discharges for that matter before the week beginning June 21, 1982, and never expressly or impliedly authorized any discharge into Mobile Bay. Had I known of any discharge, I would certainly not have condoned it but would have reported it and would have taken immediate corrective action. I will now address the question of how we may assure the Oil and Gas Board that we can and will maintain control of our operations

to meet our no discharge obligations in the future.

(Mr. Lobrecht was asked to speak louder)

Our current situation is one of a state of super attention. All of our staff connected with the Mobile Bay operation are quite aware of the allegations regarding deliberate discharges and the associated investigations. After we became aware of the discharges, we promptly replaced all of the Mobil operations personnel involved in the field operation with Mobil personnel who had not previously been connected with Mobile Bay. Those people who had been at Mobile Bay were placed elsewhere pending completion of our investigation and the decisions that will grow out of it. Further, the drilling superintendent at Morgan City who had been in charge of their operation was relieved of his Mobile Bay responsibilities and an area drilling manager from our New Orleans office was placed on the site to be in charge. We expect this mode of operation to continue for the near term, but it will be modified in the course of events as decisions are made pending the outcome of our investigations. We have re-

quired all Mobil personnel associated with the Mobile Bay operation in any manner to sign a statement which outlines the seriousness of the no discharge obligation. By his signature, he commits himself to not allow any discharge and to report any discharge that he may become aware of to two people, his supervisor and our environmental and regulatory manager in New Orleans. We're in the process of obtaining signed commitments from contracting firms involved in the operation which assures their understanding of the no discharge commitment and requires them to exercise diligent control over their employees. A number of the major contractors have already signed such commitments. This work is still in progress. Further, all contract employees directly involved in the operation must sign a statement worded similarly to that required of the Mobil employees to assure they are fully aware of the no discharge obligation. They must not allow any discharges and they must report any discharges that they become aware of. We have posted notices in prominent places on the rigs, on the boats, and on the shore bases

that serve the Mobile Bay operation. These notices draw attention to the no discharge obligation and list operational matters that are needful of special attention by personnel as they carry out their duties to assure that no discharges occur. All of the aforementioned activities have produced an extremely high state of awareness and attention at the present time. Now I'd like to address the longer term future. There's a number of items that I'll describe. We are implementing a plan my engineering manager has developed for a system of measurements and records to be kept daily on waste barge displacement and transfers from the waste barge back to the rig that will allow us to track the material in the barge as it accumulates until the time comes for the waste barge to be moved to the onshore disposal site. We have in place and will continue to use a system of measurements and manifests to control the movements of the barges from the rig site to the disposal site. We are preparing to install a brighter lighting system covering the waste barge area. Pumps are required on the work barge adjacent to the waste barge to transfer

materials from one compartment to another in order to keep the barges stable and in trim. Pumps are also required for transferring liquid back from the waste barge to the rig where it is reused in the mud system, and for transfer of drill water to the rig from the drill water supply barge. These transfer pumps were those used in the discharges previously described today. Controls for these pumps will be kept locked with access to them being controlled directly by the Mobil drilling supervisor in charge of the operation. I have requested the MOEPSI manager who is in charge of our security and safety people, and he reports to our president, not to me, to establish a periodic security and safety inspection and review of the drilling operations and the shore base operations. This is to occur at least once a month on an unscheduled basis. The purpose is to examine both the physical aspects of the operation and the state of instruction and attention toward regulatory compliance. He will furnish his reports not only to me and the drilling manager but also to the MOEPSI Vice President in charge of ex-

ploration and producing operations. My engineering manager is maintaining an engineer on site in Mobile Bay on a full-time basis and will have other people there from time to time. This is a drilling engineer. I have instructed him to furnish me a weekly report on the adequacy of physical facilities and operational procedures that are in place and being followed in the drilling operations to assure that we fully meet our no discharge obligation. In developing our plans and carrying out our operations in Mobile Bay, we've used the very best technical experts to address and solve many very real technical problems. The wells are very deep, they are very hot, they have high pressure, and the gas contains H₂S. We've utilized our most experienced people. In devoting our attention to these really tough problems in getting the wells safely drilled, it simply never occurred to us that people would fail to follow their instructions regarding the clear and straight forward matter of no discharge. In closing I'd like to say that certainly I'm dedicated to see that our operation

can be conducted and is conducted fully in compliance with all of the requirements of the State of Alabama and of those applicable Federal regulations. So that we can continue with our development of the resources that underlie Lower Mobile Bay to the benefit of the people of the Mobile area and of the State of Alabama and of the rest of the country. I believe in the worth of the operation that we're involved with in Lower Mobile Bay and further, I believe it can and should be conducted in a way that does not harmfully impact the Bay, the environment, or its uses for other purposes by the community.

Q Mr. Lobrecht, you mentioned the fact that you had a statement that had been prepared to be signed by the MOEPSI employees and by the contract employees on the rig. Have you furnished a copy of that to the staff of the Oil and Gas Board?

A No, I have not.

Q Do you have a copy with you?

MR. REAMS: If we might, we would like to offer those in evidence as a part of the plan. Do you have anything further

you need to add, Mr. Lobrecht?

MR. LOBRECHT: No, I don't believe at this time.

MR. REAMS: All right, thank you. We would call Mr. Draper as our next witness then, please, and Mr. Chairman, these will be short.

ROBERT DRAPER

Appearing as a witness on behalf of MOEPSI, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Reams:

Q What is your name and position?

A Robert Draper, Vice President, MOEPSI.

Q And, Mr. Draper, what was the first knowledge you had of any discharges in...

CHMN. ADAMS: Your exhibits are admitted. They're not identified, but they are admitted.

MR. REAMS: All right. We would offer them then, please, as Exhibits 1 and 2.

CHMN. ADAMS: Exhibits 1 and 2 are admitted.

(Whereupon, Exhibits 1 and 2 were received in evidence to the testimony of Mr. Lobrecht)

MR. REAMS: Thank you, Mr. Chairman. What was the first notice you had of any unreported discharges in Mobile Bay?

A At 4:30 on the afternoon of June 18, I learned of the phone call from the attorney which alleged some discharges. About 7:30 on the morning of June 29, I first learned of the confirmed reported discharges.

Q If you had known of any discharges prior to that time, would action have been taken?

A Most assuredly.

Q And do you believe from your experience as an operations man that the plans that have been made to prevent a future occurrence of this will be effective?

A Well, I'm more than convinced that they'll be effective, yes. I think they are abundantly clear.

Q And if you had any previous knowledge, if you had known previously that there was any likelihood of anything of this nature happening, would you have condoned it?

A In no way.

MR. REAMS: Those are all the questions I have, Mr. Chairman. Mr. Musson, your name and position for the record, please?

F. D. MUSSON

Appearing as a witness on behalf of MOEPSI, testified as follows:

DIRECT EXAMINATION

Questions by Mr. Reams:

A F. D. Musson, venture manager for the Mobile Bay project for MOEPSI.

Q What does the venture manager mean there, Mr. Musson?

A Well, it means, basically, that I have overall coordination on all of the aspects of the project. I don't necessarily supervise the implementation of the individual activities but I do have responsibility to delineate these and to coordinate those activities to see that they take place in a timely manner.

Q All right. What was the first knowledge that you had of any unreported, unauthorized discharge in Mobile Bay from the operations there?

A That occurred on June 18 at approximately 3:30 p.m. when I received a call from the attorney for the client that indicated he had...

Q The anonymous client?

A The anonymous client, right.

Q All right, and had you had any previous indication that there might be any such discharge as this occurring in connection with that operation?

A No, sir, I did not.

Q Would you have condoned it if there had been any indication of it to you?

A Most assuredly not.

MR. REAMS: Those are all the questions I have, Mr. Chairman. I think we are ready for any questions that the staff may have.

EXAMINATION BY BOARD OR STAFF

DR. MANCINI: I think there's two issues that we'd like to address. One is the discharges themselves if we could ask a few questions about that item and then get back to the impact on the Bay environment and do that secondly, so why don't we start with the questions on the discharges themselves.

MR. HELLMICH: Mr. Reams, I would like to address one question. Concerning the discharge, it has been stated that a discharge occurred from Rowan rig 4. Did that also occur from Penrod 65 or was just the knowledge of this discharge

known on Penrod 65?

MR. REAMS: Discharges have occurred from, we have established by the investigation that discharges have occurred from both of the rigs. The original report was only on the Rowan rig.

MR. HELLMICH: Did they occur during the same time frame? Between like Spring of '81 and '82?

MR. REAMS: Apparently so, yes.

DR. MANCINI: Spring '81 to...

MR. REAMS: To June of '82.

MR. HELLMICH: During that time what type of mud was in use? Was it an oil base mud or a--you may want to refer this to one of your engineers.

MR. REAMS: I think we'd have to and I don't believe we can answer totally. Now we have...

MR. HELLMICH: Just generally.

MR. REAMS: We have in preparation a record of all of the muds that were used. We were requested yesterday afternoon at about 3 p.m. to provide some information on that plus three other points and we were not able to get that information pulled

together totally beforehand, and I believe Mr. Lobrecht probably can answer better than anyone else on the types of mud.

MR. LOBRECHT: In your general question, we started the operation with water base muds. During the Spring of this year, and I can't state the exact date, but it would have been about March, first one and the other of the wells we shifted to oil base mud to counter some conditions. This was not a conventional oil base mud in that it used a particular kind of oil, but basically it was an oil base mud.

DR. MANCINI: Can you comment on that oil base mud and what effect it might have if it was put into a marine ecosystem?

MR. LOBRECHT: Well, I think I'd have to say this is why I've said that it was not a conventional oil base mud. This is a type of oil that is mostly a straight mineral oil and that it is supposedly less toxic in its effect than conventional oil base mud.

DR. MANCINI: Less toxic but still toxic?

MR. LOBRECHT: Well, I'm not that much of an expert on toxicity of oil. The...

MR. MCCORQUODALE: Do you have anybody here who is?

FROM AUDIENCE: I can. I'm not even affiliated with Mobil. I'm an ex-mud engineer. I'm a registered professional petroleum engineer, and I'm going to appear before you guys in a minute. I can comment on that mud. It is a new system. It has been ok'd for use in the North Sea. It is essentially biodegradable. It does have some asphaltics in it, but it has been, so far has been proven and accepted by, I think, the Swedish government and a few of the others. It is the least polluting of the extremely high temperature fluids that's needed to drill, that you need to drill in Mobile Bay with. Once you get past about 350 degrees F., a water base mud uses essentially lignosulfonate which is a derivative of trees, the sap of a tree, and it breaks down. It becomes H₂S, a few other things, and I'm sorry for interrupting but...

DR. MANCINI: Could you identify yourself?

FROM AUDIENCE: Sir?

DR. MANCINI: Identify yourself?

FROM AUDIENCE: Yeah, I'm Richard Barnett, from Lafayette, Louisiana, and I'm a registered professional petroleum engineer and I'm an ex-mud engineer. I worked as a mud engineer four

years, and I'm not affiliated or do not even know anybody here with Mobil Oil Company, but I just wanted to say that this system is a system that has been accepted in the North Sea and, essentially, the wells that they have down there requires a system of this sort because of the temperature.

DR. MANCINI: Because of the temperature and the depth it requires this type of mud and of the choices that they would have this is the least toxic of the...

MR. BARNETT: Very certainly, without a doubt by far the least toxic, because you're talking about a mineral oil, basically the basic part of it is a mineral oil or a close cousin, and that's the closest that you have to a completely biodegradable base product.

MR. HELLMICH: This would be versus using like a No. 2 diesel fuel or something?

MR. BARNETT: Oh, absolutely, absolutely.

DR. MANCINI: Thank you.

MR. LOBRECHT: We were quite aware of the North Sea situation that he's commenting on. This is a relatively new product in use for this kind of situation. It disengages

from the cuttings much better and it's one of the reasons that it has been approved for use there. That coupled with a lower toxicity. There have been rather elaborate systems devised for trying to make cuttings from oil base muds completely compatible with disposal at sea and some of those get pretty complicated.

MR. REAMS: Mr. Chairman, I think perhaps also in answer to the question it probably would be proper to state that in the statements which we took there was indication from some of the people who were responsible for the discharges that they discontinued the discharges when they started using the oil base muds. Unfortunately, I can't represent to you that all of them said they discontinued. They all did say that they were very careful to pump from the middle of the compartments so that they didn't get anything that was floating on top and they didn't get any of the solids from the bottom as they discharged that. We're not trying to excuse them on that basis. I'm simply telling you what they said.

DR. MANCINI: What you're saying is there is a pattern to the discharges?

MR. REAMS: Yes.

DR. MANCINI: In other words, it wasn't a random situation?

MR. REAMS: Well, I think to begin with it was a random situation, but when they--well, there are some of the supervisors who said they did not permit it to occur. But what I'm saying is that once they started using the oil base mud, some of them discontinued the discharges altogether but, unfortunately, all of them did not.

DR. MANCINI: But from your knowledge, it looks like that the discharge was primarily water? I believe you said it happened usually at night. That seems to me to establish some type of pattern. I don't know. Maybe I'm reading something into it.

MR. REAMS: I think it's correct that they thought they were discharging water.

MR. MUSSON: Well, I think if there were a pattern it was probably related to who was on duty at the time because some people on duty didn't seem to tolerate it and others did.

MR. MASINGILL: Mr. Reams, and you may want to defer this to someone else. You said a discharge of water, would you

classify this as a fresh water or salt water, or do you have any knowledge of, say, maybe what the chlorides were?

MR. LOBRECHT: We're not 100 percent certain of this, but we have good reason to believe that that discharge was principally produced water. We tested the well twice and during the first test the well produced quite a bit of water which we believe came from a formation below the waters and that is gas bearing. It, the question of those analyses is one of the things that we were requested to furnish yesterday evening. In general, that water had a very high concentration of dissolved salts in it, unusually high in that it was about 10--2 pound per gallon.

MR. REAMS: But in general on the discharge there would be a, probably a mixture, because certainly there was some fresh water in that because of the rain water that drained off from the decks.

MR. LOBRECHT: The large concentration was calcium and sodium salts.

DR. MANCINI: Have you been able to establish any time sequence when the tide, tide patterns with the discharges, or

whether they were done on the seaward side or the landward side of the barges?

MR. LOBRECHT: Well, some stated that they attempted to do this when the tide was moving out. That appeared in some statements. I'm not sure I follow you on the landward side or not.

DR. MANCINI: Well, around the barge where it was done that the, I guess we could go east-west, north-south. At least that might be a better way to look at it, or was it on any side?

MR. LOBRECHT: The discharge was made between two barges. It was made between a barge and a work barge.

DR. MANCINI: I see.

MR. HALL: O.K. Mr. Keller, in your statement you said that it was alleged that on the April 25 discharge that the rig lights were turned out. Has that been confirmed?

MR. REAMS: The April 25 discharge which we confirmed was one that occurred in the afternoon.

MR. HALL: O.K. But in your statement...

MR. REAMS: About 5 o'clock in the afternoon.

MR. HALL: The statement of the person who informed you

all stated that the rig lights were turned out. Have you all been able to ascertain that that's...

MR. KELLER: No, we thought that was what made it a kind of a hokey report, crank report, when we received it and that was when we went looking for maybe a breakdown in the generator or something that would, through an operational reason, cause the rig to dark. Sometimes, my first reaction was sometimes in testing a gas well, or an oil well for that matter, we turn the lights out so the bulb won't break and start a fire in case there's any kind of leak. None of these, I don't think we've ever made any relationship to this turning the lights out.

MR. LOBRECHT: If somebody wanted to do this surreptitiously, the turning the lights out would cause more attention on the rig, and because that's gonna shut down the whole operation out there and that just didn't make any sense to us.

DR. MANCINI: Do you have any estimate of a volume on the discharges each time?

MR. LOBRECHT: (Indicated no)

DR. MANCINI: How about the number? All you know is that it's been intermittently or do you have--we're looking at 10 or...

MR. KELLER: I said in my statement that I didn't think we'd ever know the precise quantity or amount or number of times it was done, but our guess from the interviews it was done intermittently on the basis that certain supervisors didn't tolerate it.

MR. MCCORQUODALE: Do you have any judgment at all as to how many? More than 10?

MR. LEE: Ten times you mean?

MR. MCCORQUODALE: Yeah.

MR. KELLER: Any number I give you would not be correct but I really have no...

MR. MCCORQUODALE: Less than 10?

MR. KELLER: I would--my instinct is it would be more than 10 but I wouldn't know where to stop.

MR. MCCORQUODALE: I've got a question that was alluded to a time or two about the lights going off and the report perhaps being somewhat hokey. Pardon me if some of this sounds, you know, a little cloak and dagger, that you get a call from some attorney whose client wants to remain anonymous and wants to tell you about some discharge and wants you to do something

good for Mobile County. Would you like to share anymore specifics of that with the Board? Any names? Any...

MR. REAMS: I suppose I'm the one that's in the best position to answer that because I was the one that followed up on the inquiry and I don't think there's any harm in telling you because we've told the Attorney General that it was Mr. Jimmy Langford of the Howell, Johnson, Langford firm was the attorney who made the call and he declined to reveal to me on a confidential basis or otherwise who the client was, and I understand from him that the Attorney General's investigators have also contacted him and he in turn has contacted the client and the client's response was, "I'm very well pleased with the response which Mobil has made and I want nothing further to do with it and no, I will not reveal who I am or see anybody." We did ask Mr. Langford to thank him for letting us know because without that we don't know where it would have gone if we hadn't gotten the tip.

MR. MCCORQUODALE: You'd discussed earlier some transfers and you make reference in your report to some possibilities of termination of some employees. Have any employees, in fact,

been terminated as a result of these discharges?

MR. KELLER: Do you want to answer that?

MR. REAMS: We have not terminated any of them yet but for two reasons. First, we wanted to complete our own investigation before we terminated them. If, well, Mr. Day said that if I talk to somebody and you terminate him the next day, the next man that I talk to is sure not gonna tell me anything, so I want to complete my investigation before we do that. Before we finished Mr. Day's investigation, the Attorney General's investigation was started and likewise the Attorney General would like to talk to all the people before there is a termination. It is my understanding that management, when the Attorney General has completed its investigation, is going to evaluate the whole situation and make the discharges at that time. We feel that there are some people who have admitted that they participated in this who perhaps were not directly responsible for it. We think there are some who have denied any participation in it at all who were perhaps responsible and we don't want to rush in and discharge everybody who makes an admission and not discharge everyone who denies it, and

we'd like to find out who really is responsible and have the discharge go to the right place. Is that substantially correct, Mr. Keller?

MR. KELLER: Yes.

MR. LEE: Are you in a position to reveal to us at this time who the highest ranking official of Mobil Oil was who--two prong question--(1) who knew of the of the discharges but did not reveal them or? And then I'm gonna ask you next who acquiesed in the actual discharges.

MR. REAMS: Insofar as proof which we have on hand now is concerned, the drilling supervisor, which was the company man on the rig who was responsible for overseeing things for the company insofar as getting the discharge into the barge was concerned, that's the highest ranking person that we have definite information who knew of it or who acquiesed in it. There is a strong investigation still underway to determine if it goes higher than that. There were two people really on the rig constantly there, company people. There was a drilling supervisor and a marine assistant, but the marine assistant was under the direction of the drilling supervisor.

MR. HELLMICH: I have one more question. Has there been

any type of basis or reason that's come up in your investigation on why this ever began in the first place?

MR. REAMS: Nothing more than what Mr. Keller stated in his statement there. Some of the people, and let me preface this again by saying we're not trying to excuse them in what we're saying. We're simply saying what apparently was in their minds. Some of the people couldn't see any sense in the requirements here of not discharging water overboard in Mobile Bay when they were permitted to discharge drill cuttings, water, and all of the rest of it in Louisiana, Texas, inland waters or coastal waters, and in the Gulf of Mexico, and that, perhaps, had something to do with it. There was a little bit of trouble in moving the barges, a little extra work for some of the people in shifting the barges if it filled up too quickly, and they were constantly changing barges, and there were some of them who indicated that they thought they were saving Mobil from spending needless money. Now whether that was a reason or an excuse, we don't know.

DR. MANCINI: I guess on the discharges you then, all we know is that it happened intermittently from Spring '81 to

June '82, in regard to the frequency question we had. The volume, you can't address that, and the nature, you're fairly convinced that was primarily formational water, is that--there weren't any dissolved material in with that?

MR. DRAPER: Not formation water. Correct that.

DR. MANCINI: What kind of water?

MR. LOBRECHT: Let me address that. This would be, so far as we can tell from what people told us in the reports, that it was predominantly water which would have been treated water out of the sanitary system or deck drain water, which is the biggest plain source of water on the rig. Apparently there were some occasions when liquid was taken off of the center sections and transferred to the end sections, which would have been again predominantly water but could have had some suspended matter in it. As far as high quantities of dissolved solids, I would think it would be fairly low in most of it.

DR. MANCINI: I wasn't clear on this water term you kept using. What exactly that water represented.

MR. LOBRECHT: Well, did I satisfy your question?

DR. MANCINI: Yeah, I think so.

MR. LEE: Let me make sure of one thing. You said that some of your employees said that once you start using the oil base fluid that there was no further discharge, but there were other employees who said that there was discharge after that oil base had started, is this correct?

MR. REAMS: That's correct.

MR. LOBRECHT: Obviously the one that started this off on April 25 occurred after we had been using oil base mud.

MR. LEE: Do you know when the oil base started? Can you give me an approximate...

MR. LOBRECHT: I can't--It was, I'll say around the first of March in '82 but I...

MR. LEE: O.K. That's the date you were giving us awhile ago. O.K.

MR. LOBRECHT: But I'm not certain of the exact date.

MR. LEE: So any discharges after that, around March 1, would have been with the oil base discharge?

MR. LOBRECHT: Not necessarily though that it would have been discharges of the mud system itself if there were. It

would have been straight water from best we can tell from our reports from our people. It still would have been clean water that they were discharging. It's just that some of the folks felt that they had a lot of risk, apparently, in getting oil-contaminated water out into the Bay which would be readily visible, but some...

MR. LEE: When you say it was just water, it means they were getting it from the middle, is that what you're saying?

MR. LOBRECHT: They were getting it from the end compartments which would not have been oil base mud but which would have been sanitary waste or deck drain, which is mostly rain water.

MR. REAMS: Mr. Lee, during a good part of this time after March there was no, on the Rowan rig, I guess, particularly, and also on the Penrod rig, there was no drilling that was actually underway so that the oil base muds would have been coming out into the system, is that not correct, Al?

MR. LOBRECHT: Well...

MR. REAMS: And particularly on the Penrod rig?

MR. LOBRECHT: There were fairly long periods with both

of these when there was not cutting of new formation going on, particularly on the Penrod rig. I'm not sure what you're...

MR. LEE: But you say that you've used an oil base...

MR. LOBRECHT: Yeah.

MR. LEE: And you started around March 1, so there would have to be some period when you used it, right?

MR. LOBRECHT: Oh, yes, yes, sir.

MR. LEE: O.K. So it would have been after you started using it on March 1 of '82 that it would have been present?

MR. LOBRECHT: O.K. But I do want to explain one thing in the way these barges are constructed, and I think Ken mentioned this, that these are constructed with two end compartments and then there is a center section that is divided down the middle the other direction, and that most of the time in one end the sanitary waste system went in and in the other end the deck drain system went in. So you've got two end sections in the barge that are principally just plain water. Now the center section received mud and cuttings or waste off the drilling operation per se, and that's where the oil base mud would have been deposited in the barge. So if somebody elected to then

discharge off the barge, he could have done so out of either one of the ends without involving himself with the oil base mud.

MR. DRAPER: Let me clear up one point too. When you're not in a drilling mode and you've got no cuttings coming over the side, you're by and large circulating your oil base system in the tanks that are on the rig itself. So the only time that you've got to use the barges is when you're sluffing your cuttings over into the barge or you're using it for excess mud or whatever, but you've normally got a contained system on the rig itself for circulating.

MR. MCCORQUODALE: What about any human waste, sanitary facilities? Would that be included in it also?

MR. REAMS: That was included in it but now this received secondary treatment before it was put into the barges. It received the same treatment that the City of Mobile, for instance, gives to its sanitary waste.

DR. MANCINI: We're trying to visualize how...

MR. LEE: How the barges...

DR. MANCINI: Right, how your--you're just pumping from

the two ends and not the middle? The middle is where the drill cuttings and formation water and the oil base mud and all that is...

MR. DRAPER: The formation water is also in the end I believe.

DR. MANCINI: O.K.

MR. DRAPER: Produced water.

DR. MANCINI: Any other questions on the discharge? I guess the next issue is the environmental impact, and your statements, Mr. Keller, on the Sanders report. Is there someone here to discuss the Sanders report? We have some questions on that.

MR. REAMS: We have Mr. Hellis here who is in charge of the Environmental Department and he has some help if you need beyond ...

MR. LOBRECHT: You're talking about the Sanders report itself?

DR. MANCINI: Yeah, the July 13, Sanders Engineering and Analytical Services.

MR. REAMS: Mr. Hellis has not been sworn. Would you like to swear him?

MR. CAREY: State your full name and address for the record.

MR. HELLIS: James Hellis, Mobil Oil Corporation, Mobil Oil in New Orleans.

(Witness was sworn by Mr. Carey)

JAMES HELLIS

Appearing as a witness on behalf of MOEPSI, testified as follows:

DIRECT TESTIMONY

DR. MANCINI: I believe Mr. Keller mentioned that there is still some collection of samples going on in the Bay so that there will be additional data that will be coming in. So what's the status of this report? Is this report addressing the environmental...

MR. KELLER: That report as I understand it, precisely what we were agreed to do with the AWIC in the event we ever had any of spill. This was all set out and described as to how it would be done and we started it immediately.

DR. MANCINI: So this fulfills that contingency requirement?

MR. KELLER: Yes, sir.

MR. METTEE: In the event of a spill?

MR. KELLER: In the event of a spill.

DR. MANCINI: Now the sampling that you're doing now, Mobil is assuming that on their own to get additional data to do what?

(Mr. Carey asked the witnesses to come to mike)

MR. HELLIS: This report is the follow up of the basic monitoring set out in our agreement with AWIC. However, we feel that, to answer Dr. Mancini's question about environmental impact, we need to go beyond this, and so we have a much more complex detailed study underway. It's very lengthy, it's very complex, and as Mr. Keller stated, it's got a lot more sampling in it than is involved here, and we feel the end result of that will answer your question.

DR. MANCINI: How would you categorize this report? In the three conclusions, you know, they kind of hedge a little bit. Would you consider the conclusions to address the problem of whether there has been any, resolving the problem of whether there has been any adverse environmental effect in the Bay?

MR. HELLIS: It doesn't resolve the problem. What it does, the conclusions relate the end result of this particular

piece of work, not necessarily the whole subject. We did a certain project here. These conclusions relate to this study and to the data that were collected in this study.

DR. MANCINI: It states (1) there appears to be no increase. Any change in concentrations of parameters monitored is felt to be variation in background. We have concluded from examination analyses of the data that there has been no appreciable change in chemical make up or any of the sediments at any of the sampling locations for the past 18 months. If a discharge or spill has occurred, its effect could not be detected. It seems to be hedging. I'm almost tempted to say that these conclusions are inconclusive.

MR. HELLIS: These conclusions are conclusive to the data that were gathered initially. They are not conclusive to your original question of environmental impact. That will come later. I'm not...

MR. MCCORQUODALE: Are you saying to us that today that Mobil is not prepared to say one way or the other whether or not any environmental damage has been done because you can't conclude that based on the investigation that's been done? Is that what you're saying to us?

MR. HELLIS: Basically, that's what we're saying. This will come later.

MR. MCCORQUODALE: All right.

MR. HELLIS: Sometime at the end of the month. End of August. Late in August.

DR. MANCINI: I think that's the point.

MR. HELLIS: Yeah, that is the point. We are proceeding with this study and it is extremely detailed and it's almost academic.

MR. MASINGILL: Mr. Hellis, if I might add, in other words, after receiving this report you felt that additional data was necessary, and so that's the reason you've instigated your-- what--in-house investigation?

MR. HELLIS: Not completely.

MR. MASINGILL: Not completely?

MR. HELLIS: Not completely, Mr. Masingill.

MR. MASINGILL: All right.

MR. HELLIS: The two...

MR. MCCORQUODALE: This report only meets the requirement based on...

MR. HELLIS: The basic requirements.

MR. MCCORQUODALE: ... AWIC, all right. I understand that.

MR. HELLIS: They meet the basic requirement but not a total requirement.

MR. MCCORQUODALE: It does not really answer the questions that we're all concerned about here today.

MR. HELLIS: It doesn't answer the question, yeah. And let me make another point if I may here. The two projects started almost simultaneously. We didn't do this and then do the other. We started them almost simultaneously but this is a much smaller study, and therefore, it can be concluded a lot sooner. If you look at the study, if you look at the figures and show where the sampling sites are relative to the drilling operation, they are somewhat remote, to a degree. To a degree. And they are conclusive as to this. They are not conclusive as to the whole subject.

DR. MANCINI: We have a number of questions to further that but go ahead, Jimmy.

MR. LEE: I want to ask you to explain what this last sentence means. It says, "If a discharge or spill has occurred, its effect could not be detected." First, let's stop right there, "If a discharge or spill has occurred..." Well, pretty

well you've established that a discharge or spill has occurred, right?

MR. HELLIS: Yes, sir.

MR. REAMS: It had not been established though, Mr. Lee, at the time this report was started.

MR. LEE: At the time this was written? O.K.

MR. REAMS: It may have been at the time it was written but it may not have been communicated fully to the people who were writing it.

DR. MANCINI: Yeah, because the date on this is July 13.

MR. DRAPER: This information was turned over to the gentleman who wrote that report, as a matter of fact, it has not even been turned over to that gentlemen yet. The results of this investigation is still very confidential with Mobil.

MR. LEE: Oh, o.k. It says, "If a discharge has occurred, its effect could not be detected from analyses of samples taken at locations prescribed in the contingency spill monitoring plan below Mobile Bay." Why couldn't--you mean that it was not detected, is that right? Are you saying it couldn't be? That your tests couldn't detect it or are you saying it was not detected?

MR. HELLIS: It could not be detected from these data.

MR. LEE: Are you saying it could not or would not or was not?

MR. HELLIS: It was not.

MR. LEE: O.K. Was not. O.K. All right, but it could be. If it was there it would have been detected, right?

MR. HELLIS: If the impact had reached, it would have been detected. The analyses are that detailed.

MR. LEE: All right. I couldn't tell whether you said your test wasn't an accurate test or whether you're saying you did test it and couldn't find any. I couldn't...

MR. HELLIS: We tested and couldn't find it, Mr. Lee. All right?

MR. LEE: O.K. All right.

DR. MANCINI: In this report, this chemistry on sediments and a little bit of work on some oysters, there's no discussion of the benthic organisms that are living on the bottom. In your August report, are you collecting some benthic organisms and looking at those creatures?

MR. HELLIS: There will be a biology included in the

additional study that's ongoing right now, yes, with the benthics is being--benthics is or benthics are being investigated, yes. This is primarily chemistry.

DR. MANCINI: Some of the questions that we have with regard to this report may be taken care of then in the more comprehensive report that you'll have in August?

MR. HELLIS: Undoubtedly, undoubtedly.

DR. MANCINI: Would it be helpful to you if we would, perhaps, point out a few things that we think needed to be included in this report to see if you're doing that in the August report?

MR. METTEE: The first question that I would like to ask, please, Mr. Hellis, is if the Sanders report was preliminary and you're instituting a more comprehensive study, I'd like to know what the more comprehensive study includes as far as sample sites, number of samples, etc.

MR. HELLIS: We have communicated this to the various agencies. We've taken, we've taken some, we've built some circles around each drilling location...

MR. METTEE: Is this that document?

MR. HELLIS: ...100 meters, 250 meters, 500 meters and 1,000 meters with 45 degree transits (phon.) north-south and

45 degree transepts(phon.), samples at all those points of interception, repeated study, and all of that that we've shown you in that handwritten thing that was delivered a while back.

DR. MANCINI: This is the document that we received.

MR. HELLIS: May I see that? My glasses aren't that strong.

DR. MANCINI: We thought...

MR. METTEE: I have several questions about that.

DR. MANCINI: ...we received that document, and this represented...

MR. DRAPER: No, sir.

MR.HELLIS: No, no.

MR. DRAPER: I can understand your concern.

MR. HELLIS: There's some confusion here.

MR. METTEE: Is that the correct document that describes the program?

MR. HELLIS: It does, yeah.

MR. METTEE: It is?

MR. HELLIS: In basically, yeah, and these are the circles I just mentioned.

DR. MANCINI: That's the only document that we've received that I know of.

MR. METTEE: The main difference between, correct me if I'm wrong, between this more intensive program and the program presented in the Sanders document then is basically included in the two figures, the location of sample sites around a barge, and the circular pattern of sample collection around the rigs?

MR. HELLIS: Uh-huh, basically.

MR. METTEE: The other parts are exactly the same as the parameters collected in the Sanders report?

MR. HELLIS: Well, if the Sanders report--yeah, as far as chemistry is concerned.

MR. METTEE: Yes, in fact this...

MR. HELLIS: There's no biology in here.

MR. METTEE: This document that I have right there doesn't include anything with reference to collection of benthic samples.

MR. HELLIS: No, but it is part of the study. The part of the--the study has started out with a certain concept and as we progressed we saw a need to do something else and we added it,

we've seen a need to do something else and we've added it, and we've got some highly capable consultants working on the second part of this study.

DR. MANCINI: We would request that we could get a copy of the updated program.

MR. HELLIS: Yes, we can do that. I don't have it in hand but we will deliver it.

DR. MANCINI: You see one of the concerns we voiced when we received this, I called your office, and we were concerned that benthic invertebrates were not included in that report, or in that program.

MR. HELLIS: No, they are.

DR. MANCINI: But they are now?

MR. HELLIS: They are.

DR. MANCINI: But it's not in there?

MR. HELLIS: They were included but they were not in this write up, but it's being done. EG&G Bionomics is one of the outfits working for us. Dames & Moore is doing some work for us on this. TerEco, Dr. Willis Pequegnat is working on this, so we have some extremely--apparently Dr. Mettee recognizes the talent we have in this.

MR. REAMS: Did you understand that they were requesting that they be given an updated description of the program?

MR. HELLIS: Yeah, I understood that. Yeah, I understood that.

MR. METTEE: So then to repeat, or to emphasize, at the time this report was generated Sanders did not know a spill had occurred?

MR. HELLIS: Oh, he knew. He new, yeah. You see, you institute the study when you "know" a spill has occurred.

MR. DRAPER: Well, qualify that. He knew that a spill had occurred on April 25. That was in the paper, you know, but the extent of the investigation he did not know and to my knowledge still does not know. You gentlemen are learning something new to a lot of people.

MR. METTEE: The reason I asked is the Sanders report and attachment C of the agreement indicate that if a spill occurred certain of the samples collected by Sanders but not analyzed, in the event of a spill those samples would be analyzed. Will we get that data from those samples that were collected in January, 1981, April to '82 and July '82?

MR. HELLIS: That will be part of the final, part of this

other study. All of that will be in there.

MR. METTEE: Because, for instance, benthic samples have already been collected at all the Q sites, six replicates, and so they were already collected and they were already instituted in your own monitoring program.

MR. HELLIS: Yeah, collected and archived.

MR. METTEE: As were things like marsh grass and bottom sediments on, and the bottom sediments were also sampled on a grid program that's not quite that extensive, but it does have eight sites around each rig.

MR. HELLIS: Yeah, there is another grid program that's part of the AWIC program.

MR. METTEE: Right. I do have one other question. The word "significant" was used in the Sanders report and I assumed that when they use the word "significant" they mean they do some statistical analyses and data interpretations. Will there be statistical analyses and data interpretation in the August statement?

MR. HELLIS: That's what our additional consultants are working on. We're scoping the whole thing right now. We're not stinting on this whole analysis and in the talent that

we've called into this project.

(Discussion between Dr. Mancini and Board members)

MR. LEE: ...something you all are going to specify that be put in that report.

MR. MCCORQUODALE: I was gonna say if you feel very strongly that you ought to give them a "shopping list" , well, then I'd go ahead and give them one. Before the fact instead of after.

DR. MANCINI: Well, when we get a copy of their program...

MR. MCCORQUODALE: Yeah, but I'm just saying that might prevent somebody from asking the question later on of why that was not included. If they have that information ahead of time.

MR. KELLER: Well, I think you would assume that we will furnish you this data and then if there's additional, you would come back to us.

MR. LEE: Either that or you could write them a letter and tell them everything you want in there.

MR. METTEE: I can do that, whatever.

MR. MCCORQUODALE: That would be helpful, I think, to both sides of this question.

MR. HELLIS: We're scoping the final study and we hope to have it scoped by Tuesday or Wednesday.

MR. METTEE: I might say that I reviewed this also, which is your January, 1981, base line study, and just for your information, a good bit of the data that was included in this January, 1981, study was left out for the January data entries for the 1982 study, and I can provide you with examples of that after the meeting if you'd like, but there are quite a few that were left out.

MR. HELLIS: All right, we can discuss that later.

MR. SMITH: Well, let me ask one question. Do you believe that the Pioneer Laboratories will be the one that's doing the chemical analyses again? The reason I ask that is in looking at the description of methods for sediment analyses, water column and beach, and marsh and sediment, they cite a method which seems to me to be a method for water analysis, not particularly for sediment, and so I was wondering if I could get some comment on that? Maybe it's not necessary but I just point that out. That's just a question. It seems to be a water analysis since they cite an EPA bulletin that's specifically for water analysis.

MR. HELLIS: Well, that was included. I believe the technology for testing is part of our agreement with AWIC. We are also reviewing other analytical procedures in this whole thing.

DR. MANCINI: We had some concern about that procedure. Whether it would actually show up the elements that you were testing for.

MR. HELLIS: It's a very common procedure. Most of the work that's been done on this subject has been done with that procedure, and so it's comparable. It's comparative procedure. We are looking at other methods, as I said, right now, on our own. We decided that.

MR. REAMS: Mr. Chairman, I get lost in a lot of the scientific discussion. One thing I was interested in in studying the report of the investigation though was the fact that the cooks on the rig continued to harvest oysters and cook and eat them off of the sheet piling around the drill barge. It's about as close as you can get to the operation. And the taste wasn't interfered with.

(Laughter from audience)

MR. REAMS: Mr. Lobrecht said he had a...

MR. LEE: Has anybody seen them lately?

(Laughter from audience)

MR. REAMS: They're still alive.

MR. LOBRECHT: The Board has asked us to furnish a copy of the plan that we have on our special monitoring and I'd like to suggest that we bring that here rather than send it and that there be some communication at that meeting, perhaps as you had suggested, Dr. Mancini.

MR. HELLIS: And we'll do that as promptly as we can get together.

DR. MANCINI: I think we need to sit down and look at what your plan is and what we might be able to suggest to modify that plan, because our intention was to go out and collect our own samples and do our own analyses, and I think we're still gonna follow through with that, particularly in light of--when we read the Sanders report. We were concerned about that, but now this new, more comprehensive August report, maybe we can work something out that, for the collection and analyses.

MR. LOBRECHT: Certainly, if there are concerns that you

might have about it, we'd rather learn them now than later.

DR. MANCINI: Yes.

MR. MCCORQUODALE: Is there anything further from Mobil?

MR. REAMS: Not if there are no further questions.

MR. CAREY: Is there anybody here in the audience who wishes to make a statement? (No response) If not, I'd like to read a letter into the record. It's from Charles A. Graddick, Attorney General of the State of Alabama, and it's addressed to the Oil and Gas Board, dated July 29, 1982.

"This letter is to officially request that no final action be taken by the Oil and Gas Board at the Mobil show cause hearing scheduled for July 30, 1982. My office is presently conducting an independent and thorough investigation into the matter of discharges by Mobil Oil Company into Mobile Bay. These discharges are related to drilling by Mobil Oil Company. As my investigation continues, it appears that the nature and extent of the charges against Mobil are becoming more and more serious. I firmly believe that it's in the best interest of all concerned if a final determination by your agency is delayed until such time as our investigation is complete and we may advise you and other members of the Board concerning our findings. I appreciate your consideration of this request and look forward to cooperating with the Oil and Gas Board in this matter."

MR. MCCORQUODALE: I move that we continue this matter.

MR. LEE: Second.

CHMN. ADAMS: All in favor of the motion let it be known

by saying "aye".

(All Board members voted "aye")

CHMN. ADAMS: "Ayes" have it.

MR. REAMS: Thank you, gentlemen.

MR. MCCORQUODALE: I move that we take about a five-minute recess.

CHMN. ADAMS: We'll take a five minute recess.

(Whereupon, the show cause hearing for Mobil Oil Corporation was adjourned at 3:50 p.m.)

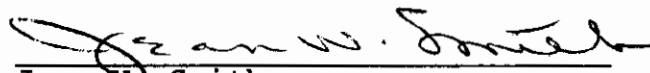
REPORTER'S CERTIFICATE

STATE OF ALABAMA ()

COUNTY OF TUSCALOOSA ()

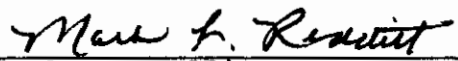
I, Jean W. Smith, Hearings Reporter in and for the State of Alabama, do hereby certify that on Friday, July 30, 1982, in the Board Room of the State Oil and Gas Board Building, University Campus, Tuscaloosa, Alabama, I reported the proceedings before the State Oil and Gas Board of Alabama in Special Session; that the foregoing 71 typewritten pages contain a true and accurate verbatim transcription of said proceedings to the best of my ability, skill, knowledge, and belief.

I further certify that I am neither of kin or counsel to the parties to said cause nor in any manner interested in the results thereof.



Jean W. Smith
Hearings Reporter
State of Alabama

Sworn to and subscribed before
me this the 16th day of August, 1982.


Mark L. Redditt, Notary Public in and
for the State of Alabama at Large

My Commission Expires 3/7/84