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Shell Delays Arctic Oil Drilling Until 2013

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HOUSTON — In the latest in a series of embarrassing setbacks, Shell Oil Company announced on Monday that it has been forced to delay drilling for oil in Alaskan Arctic waters this year after a spill containment dome was damaged during a testing mishap.

The accident further delayed Shell's six-year, \$4.5 billion effort to drill off the coast of Alaska, although it will not stop the company from performing preliminary work this year on several wells in the region. But the company will have to wait at least one more year before it can drill for oil.

Shell had expected to receive all the necessary permits to drill up to five wells this summer and fall, but a series of equipment problems and persistent sea ice forced the company to repeatedly cut back its program.

"We are disappointed that the dome has not yet met our stringent acceptance standards," Shell said in a statement. "We will not conduct any operations until we are satisfied that we are fully prepared to do it safely."

The Alaskan Arctic is one of the great untapped frontiers for offshore drilling in the United States. Energy experts say the Arctic seas could produce up to a million barrels of oil a day, roughly equivalent to 10 percent of current domestic production.

Details of the dome accident were still hazy, Shell officials said. But it occurred during the testing of the Arctic Challenger, a containment barge, in Bellingham, Wash.

The barge, a piece of Shell's response plan for dealing with any potential oil spill in the Arctic, has been the source of multiple headaches for the company. Electrical problems and other issues prevented it from



passing Coast Guard fitness tests that were required before Shell could win final approval from the Obama administration to drill in the Arctic.

The containment dome, which is designed to gather spilled oil, was aboard the barge during the latest tests. Shell said a mechanical device malfunctioned on the dome as it was being lowered into the water. A submarine robot was sent to help repair the damage, but it got tangled in some of the dome's anchor lines.

Company officials said they still needed to determine how much damage the dome suffered in the operation. Shell said it would also investigate whether the problem with the dome was a design issue or simply a testing error.

Environmental activists said the accident was one more sign that Shell could not deal with all the problems it would face drilling in the Arctic, where powerful winds and long dark nights would make cleaning a spill extremely difficult.

"This reaffirms Shell was clearly not ready to drill this summer, and no matter how much the Obama administration was willing to lower the bar for them, they were not able to cross it," said Brendan Cummings,

senior counsel of the Center for Biological Diversity, one of the environmental groups that has gone to court to try to stop Shell from drilling. “It opens the door to further challenges in court and elsewhere.”

Shell has suffered a series of misfortunes since July, when a drill ship dragged anchor and went adrift, nearly colliding with the Alaskan shore. And only a week ago, Shell was forced to temporarily abandon preliminary drilling because sea ice was moving into the Chukchi Sea drilling area just a day after the work began.

The window for drilling, which is predicated on ice floes and agreements to protect whales and other wildlife, closes the third week in September in the Chukchi and at the end of October in the Beaufort Sea. Shell is asking permission from the Department of Interior for an extra couple of weeks of drilling time in the Chukchi.

Shell has a flotilla of ships in the Arctic waters, and company officials say they still hope to drill several pilot holes 1,400 feet deep in the Chukchi and Beaufort, the first drilling in the region in more than two decades. The company has Department of Interior permission to drill the preliminary holes without the containment dome and barge on site since the company will be operating thousands of feet above zones that contain oil and gas. The preliminary holes will eventually hold blowout preventers, the emergency equipment designed to shut a well down when surges of oil and gas are out of control.

After this year’s drilling, the holes will be capped to await further drilling next summer. Most of the permits Shell has spent years to obtain will carry over to next year, and the company said it still hopes to drill up to 10 exploratory wells in the two seas.

“We look forward to the final receipt of our drilling permits for the multiyear exploration program upon the successful testing and deployment of the Arctic Containment System,” Shell said in its statement.

A company official said the Coast Guard testing of the barge otherwise went well.