

Exhibit 1



THE SECRETARY OF THE INTERIOR
WASHINGTON

OCT 12 2010

DECISION MEMORANDUM

TO: Director
Bureau of Ocean Energy Management, Regulation and Enforcement

FROM: Secretary *Ken Salazar*

SUBJECT: Termination of the suspension of certain offshore permitting and drilling activities on the Outer Continental Shelf

On October 1, you delivered to me your report (the October 1 Report) regarding the status of drilling and workplace safety, blowout containment, and spill response, which also included options regarding the potential modification or lifting of the deepwater drilling suspension.¹ In that report, you recommended that I proceed with Option 2, which would lift the current suspension of deepwater drilling completely.² Based on my multiple reviews of the October 1 Report and further deliberations since October 1, I have decided to accept your recommendation and to lift the suspension of deepwater drilling.

Therefore, I direct you to lift the current deepwater drilling suspension as to all deepwater drilling activity, as recommended in your October 1 Report.

Even though I am terminating the suspension as to all deepwater drilling effective immediately, I further direct you, consistent with your statutory and regulatory authority, to require the following before the BOEMRE approves the drilling of any well in deepwater that would have been subject to suspension under my July 12 Decision Memorandum³:

¹ The discussion contained in the October 1 Report is incorporated by reference into this Decision Memorandum.

² Deepwater drilling, as defined by my July 12 Decision Memorandum suspending certain offshore drilling activities, refers to drilling operations involving the use of a subsea blowout preventer (BOP) or a surface BOP on a floating facility.

³ See, e.g., 43 U.S.C. §§ 1331 *et seq.*; 33 U.S.C. §§ 1321 *et seq.*; 30 C.F.R. Parts 250 and 254.

- Each operator must demonstrate that it has in place written and enforceable commitments, pursuant to applicable regulations, that ensure that containment resources are available promptly in the event of a deepwater blowout. The Department of the Interior has a process underway regarding the establishment of an enforceable mechanism relating to the availability of blowout containment resources, and I expect that this mechanism will be implemented in the near future.
- That the CEO of each operator seeking to perform deepwater drilling certify to BOEMRE that the operator has complied with all applicable regulations, including the new drilling safety rules.

RATIONALE FOR MODIFICATION OF THE SUSPENSION

As described in the October 1 Report, there has been significant progress in addressing drilling safety, blowout containment, and spill response, such that I find that the threat to life and the marine and coastal environments has been sufficiently reduced to allow shortening of the duration of the suspension as to deepwater drilling activities. To summarize, these developments include:

Drilling and workplace safety. We have raised the standards with respect to the safety of offshore drilling. On September 30, we announced two major rulemakings – the Safety Interim Final Rule and the Workplace Safety Rule – that impose new, and further codify existing, safety measures that directly address the suspected root causes of the *Deepwater Horizon* accident. The Safety Interim Final Rule includes new standards and requirements relating to:

- the design of wells and testing of the integrity of wellbores;
- the use of drilling fluids; and
- the functionality and testing of well control equipment including blowout preventers (BOPs).

The Workplace Safety Rule provides for the development of workplace safety and environmental management system (SEMS) programs, which represent significant progress in the development of performance-based systems for managing the various hazards and risks associated with offshore drilling operations. Many deepwater operators already have SEMS programs in place, which will have to be revised and enhanced to comply with the Workplace Safety Rule, and all operators are required to have these programs in place within a year. Moreover, we are actively considering alternatives to encourage industry to demonstrate voluntary compliance with this rule in advance of the one-year deadline.

We also anticipate further rulemaking with respect to safety measures – such as redundant blind shear rams, remote activation systems for BOPs, and enhanced instrumentation and sensors on BOPs – to provide additional marginal improvements in safety and that may take into consideration information developed by ongoing

investigations into the *Deepwater Horizon* accident, or as a result of public comments to the Safety Interim Final Rule. Although we expect these and other safety measures to be introduced over time, the new drilling safety standards established in the Safety Interim Final Rule represent a raising of the bar with respect to primary safety features related to well design and integrity, as well as with respect to secondary well control measures such as BOPs. Therefore, I find that sufficient progress has been made since the Macondo well blowout to address the threats to life and the environment posed by each of the suspected root causes of the *Deepwater Horizon* accident and other fundamental safety issues.

Before resuming drilling, each operator must comply with the requirements of the Safety NTL (NTL 2010-N05), the Safety Interim Final Rule, and the Environmental NTL (NTL 2010-N06). BOEMRE also intends to (1) conduct inspections of each deepwater drilling operation for compliance with regulations, including but not limited to the testing of BOPs, before drilling resumes, and (2) monitor high-risk phases of drilling operations through the on-site observation of operations by qualified personnel and the real-time review of electronic drilling data.

Well containment. During the process of containing the Macondo blowout, significant developments and improvements have been made in the areas of deepwater well containment technology and equipment; the use of remotely operated vehicles (ROVs) and remote sensing technology, including the development of flow rate estimates; the management and coordination of containment operations and logistics; and the drilling of relief wells. BP has agreed to make technology and equipment developed in response to the Macondo blowout available in the event of another loss of well control. The major oil companies have committed to investing \$1 billion in designing and developing a multi-scenario, multi-component containment system. BOEMRE is in the process of establishing enforceable mechanisms to ensure the availability of blowout containment resources.

Spill response. The Macondo well has been contained since July 15 and was killed on September 19. Compared to the situation that existed when I decided to suspend drilling operations, substantially fewer spill response and cleanup resources are engaged in the BP Oil Spill response effort and more resources are now available should another oil spill occur. In addition, response to the BP Oil Spill has led to substantial improvements in the use of spill response resources and oil detection systems.

On the basis of this information, I conclude that at present there are sufficient safety measures, including well control measures involving the functionality and testing of BOPs, and well containment and spill response resources available to address the threat that led to my imposition of the original suspension of certain types of deepwater drilling activities.

Although I find that the threats posed by deepwater drilling have been reduced sufficiently to allow for the suspension to be lifted early, I believe that government and industry must do additional work to establish the necessary procedures and structures to

address containment in the case of a blowout. Members of industry have stated that they would make containment resources available in the event of another blowout, and BOEMRE is establishing an enforceable mechanism whereby the government can ensure that all operators working in deepwater have prompt access to containment equipment and processes in the event of a blowout. It is critical that government and industry ensure that, in the event of a blowout, containment resources are immediately available, regardless of the owner or operator involved.

Finally, I also believe that on-going research and development – in areas such as improving well condition sensor capabilities and remote BOP activation, among other things – are necessary to develop cutting-edge well containment capabilities and that we must institutionalize government, industry, and other stakeholder cooperation in this effort. These are goals that we must pursue aggressively.

In making this decision, I considered the environmental assessment that accompanies this Decision Memorandum. In addition, I note that BOEMRE has complied with the Endangered Species Act by reinitiating consultation following the *Deepwater Horizon* accident and documenting that this action, among others, does not constitute an irretrievable and irreversible commitment of resources that has the effect of foreclosing the formulation or implementation of any reasonable and prudent alternative measures that may result from that consultation.