

Arctic offshore drill company enters guilty pleas

December 20 2014, by Dan Joling

The company hired by Royal Dutch Shell PLC in 2012 to drill on petroleum leases in the Arctic Ocean pleaded guilty Friday to eight felony environmental and maritime crimes.

Noble Drilling U.S. LLC, based in Sugarland, Texas, agreed to pay \$12.2 million after pleading guilty to five counts of failing to maintain records on a [drill ship](#) that operated in the Chukchi Sea, one count of failing to maintain proper ballast water records and two counts of failing to report hazardous vessel conditions.

"On behalf of the [company](#), I plead guilty," Bernie G. Wolford Jr., president of Noble Drilling U.S., told District Court Judge Ralph Beistline.

Wolford had no comment outside the courtroom and referred questions to a company spokesman.

The \$8.2 million fine and \$4 million in community service payments were due Friday.

The company was placed on probation for four years. As part of a plea agreement, the company agreed to an environmental compliance plan for all floating drill units the United States and foreign waters, and to pay for a third-party review to make sure the company complies.

The case was aided by an informant who will receive a payment of

\$512,000, or half the fine of one count. The informant's name was kept confidential for the informant's protection.

Noble operated the drill ship Noble Discoverer in the Chukchi and the drill barge Kulluk in the Beaufort Sea in support of Shell drilling during the 2012 open water season. Shell drilled pilot holes and dug mudline cellars and was not allowed to drill into oil-bearing deposits because required response equipment was not on hand.

The charges focused mostly on the 572-foot Noble Discoverer, built as a logging ship in 1965 and converted to a drill ship in 1976.

Its mechanical problems began when the ship left New Zealand in February 2012 for Seattle. It was under assistance by a tug until it was off the coast of Washington. Engine failures on the transit and its eventual voyage to and from Arctic waters were not reported to the Coast Guard as required.

"At times, the condition of the Noble Discoverer's main engine also created high levels of exhaust in the engine room, multiple sources of fuel and oil leaks, and back fires," prosecutors said in the plea agreement. "Noble failed to report any of these hazardous conditions to the U.S. Coast Guard."

Assistant U.S. Attorney Kevin Feldis said Noble's priorities were not the environment or the safety of its crew. Some Noble crew members during the investigation thanked investigators for taking on the case, he said.

"They appreciated that these things were being resolved," he said.

The oil log violations were more than paperwork violations, Feldis said. Noble crew members from the time the Noble Discoverer left New Zealand operated the vessel with a dismantled oil water separator, a

device that removes petroleum from bilge water and other sources so that it can be dumped overboard.

The company used a 55-gallon barrel system to collect water entering from a leaky propeller shaft seal that had to be emptied every three hours. Crew members not only didn't report the hazard, they hid the "blue barrel system" from Coast Guard inspectors in Seattle, said Assistant U.S. Attorney Yvonne Lamoureaux.

Feldis said it was amazing that the violations could occur in 2012.

"These are not new laws," Feldis said. "These are well-understood by the least sophisticated companies and mariners."

Noble Attorney John Cox said that the company cooperated with the investigation from its start. Drilling itself was flawless, he said. The company began a voluntary compliance plan when the investigation began and much of it was incorporated into the [plea agreement](#), he said.

Three Alaska entities will benefit from the company's \$4 million community service payment. The University of Alaska Fairbanks' International Arctic Research Center will receive \$2.5 million. The Alaskan Arctic Fund of the National Fish and Wildlife Foundation will receive \$1 million. The Arctic Research Consortium will receive \$500,000.

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Citation: Arctic offshore drill company enters guilty pleas (2014, December 20) retrieved 20 March 2024 from <https://phys.org/news/2014-12-arctic-offshore-drill-company-guilty.html>

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