

Drilling Moratorium Over, But Effects Continue

October 21, 2010 11:30 AM Ryan Rivet
rrivet@tulane.edu

The Obama administration lifted its moratorium on deepwater drilling earlier than expected last week (Oct. 12), and Interior Secretary Ken Salazar declared that the Gulf was “open for business.” Even so, oil industry experts such as Eric Smith of Tulane do not expect drilling to resume immediately due to a combination of new safety rules and bureaucracy in the government agency tasked with issuing new drilling permits.



“I don't expect to see any deep water rigs working much before the new year,” says Eric Smith, associate director of the Tulane Energy Institute. (Photo by Ryan Rivet)

“The moratorium is over in name, but the effects will continue,” says Smith, associate director of the [Tulane Energy Institute](#) at the A. B. Freeman School of Business. “That 'open for business' tagline is merely for public consumption.”

According to Smith, the new safety regulations include requirements for third-party inspections on blowout preventers and documentation of how oil companies would handle blowouts in the future. Neither requirement would be cause for concern, he says, but it is unclear who is qualified to perform those third-party inspections. That,

coupled with the bureaucratic quagmire in getting drilling permits approved, means a de facto moratorium for the near future, similar to that seen in shallow water activity, Smith says.

“I think by January of 2011 you'll see one or two rigs back working in the Gulf, but it will be after the 2012 elections until you see those 33 rigs that were there before the moratorium back working,” Smith says. “The rigs won't go back to work until the operators can get permits, and the government's ability to grant those permits is hindered because they simply don't have the staff to handle the workload.”

As evidence of what the future holds, Smith says there are already eight mobile rigs in the Gulf that have performed the necessary blowout preventer inspections, but few of them have received permits to resume drilling. He adds that the timing of the move to lift the moratorium is suspect and may be a function of the November elections.

“This is primarily a political move,” [Smith](#) says. “You see this sudden epiphany that everything is okay, but it's just a move to garner votes. I'll be the first to applaud when I see permits coming out of the other side.”