



Hornbeck Offshore Services

Service with Energy®



The Post Macondo World: A Vessel Operator's Perspective

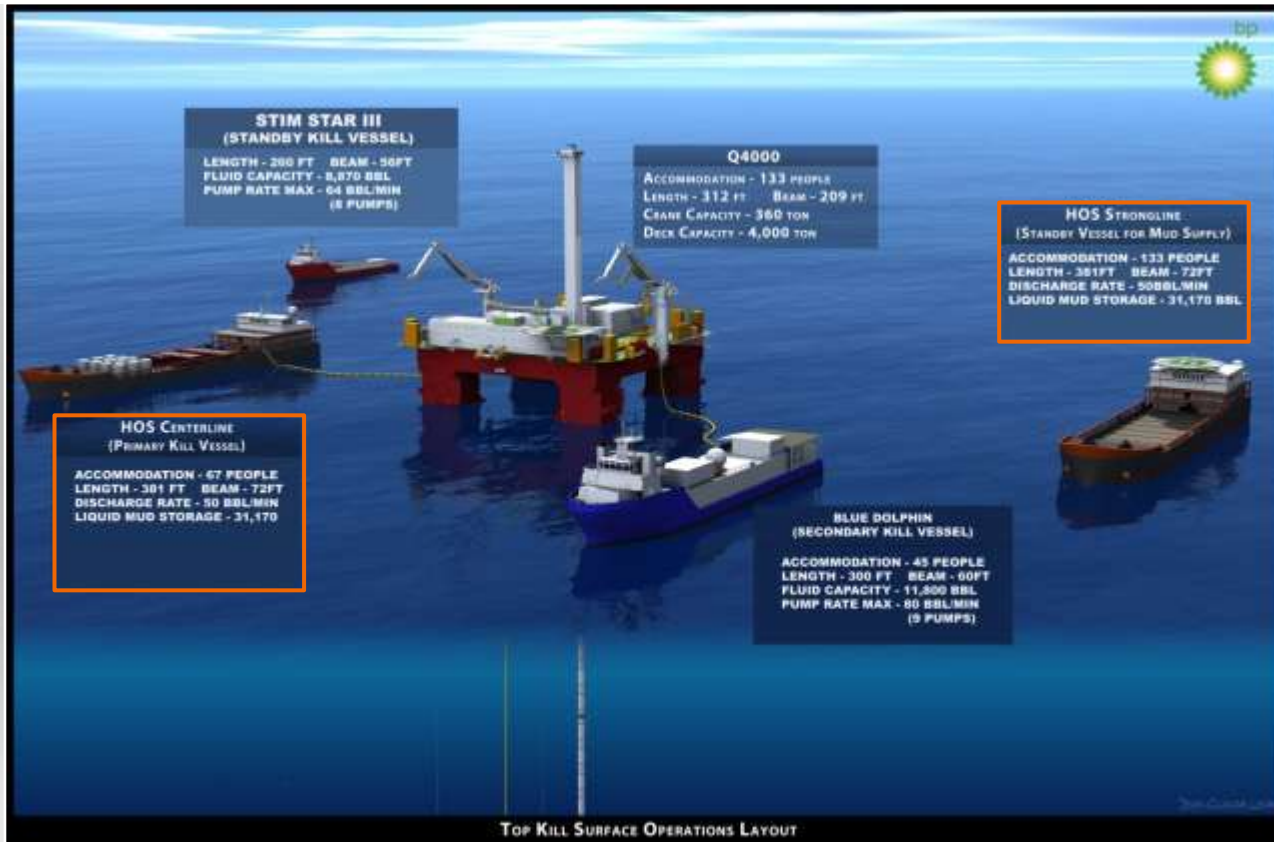
Samuel A. Giberga • Senior Vice President & General Counsel • Hornbeck Offshore Services, Inc.

Hornbeck's Role in Macondo Response



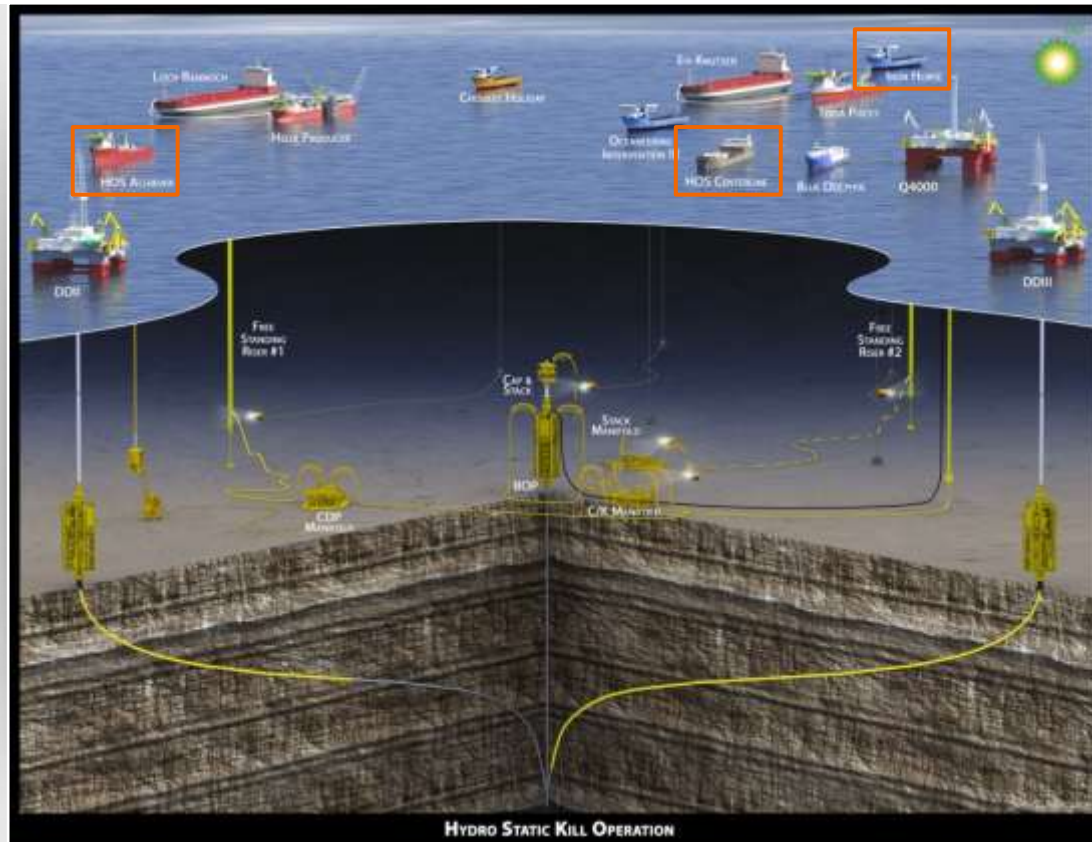
Hornbeck's Role in Macondo Response

BP "Top Kill" Operation



Hornbeck's Role in Macondo Response

BP "Static Kill" Operation



Other Efforts

- Lead Plaintiff in Moratorium Lawsuit
- Shallow Water Drilling Coalition
- Deepwater Drilling Coalition
- America's Wetland Campaign
 - America's Energy Coast



The Current “Decon” Challenge



How Has the World Changed?

Change in “Tone”

- CEO Certifications of Regulatory Compliance
- Investigations & Review Unit BOEMRE
- “Boot On Neck” (Sec. Salazar)
- “Someone’s Ass to Kick” (Pres. Obama)

Regulatory Changes

- Drilling Safety Rule (Adoption of API Standards)
- Moratorium / Slow Permitting
- Workplace Safety Rule (SEMS)
- Cancelled / Suspended Lease Sales

Environmental Changes

- NTL – 06 (The “Environmental NTL”)
 - Spill Containment / Response Readiness
 - Worst Case Discharge Scenarios
- NEPA Changes / Fewer Categorical Exclusions
- “Enforceable Commitment”

Liability Changes

- Removal / Raising Liability Limits
- Increased Tort Exposure
- Increased Fines / Penalties
- Increased Personal / Criminal Liability



A Word (or Two) on “Tone”

On Priorities:

“... in one of my first acts as Director, I created a new Investigations and Review Unit within BOEM that will help us... rein in companies that attempt to game the system.” Michael R. Bromwich, Director BOEMRE

On the Investigations and Review Unit:

“A team of professionals, with law enforcement backgrounds...”

BOEMRE Website

On Inspections:

Inspectors are “authorized to be as aggressive as they responsibly can be.” Michael R. Bromwich, Director BOEMRE



A Word (or Two) on “Tone” (cont.)

On CEO Certifications:

“This brings a new level of personal, executive accountability to the deepwater drilling industry.” Michael R. Bromwich, Director BOEMRE

On the Drilling Moratorium:

“This Court has determined that no rational nexus exists between the fact of the tragic Deepwater Horizon blowout and placing an attainder of universal culpability on every other deep water rig operator in the Gulf...”

Judge Martin L. C. Feldman

On the *de facto* Moratorium :

[“de facto Moratorium”]...is code used by some segments of... industry for the added time it takes to ensure compliance with tougher safety rules...”

Michael R. Bromwich, Director BOEMRE

On the Obvious:

“But the world has changed” Michael R. Bromwich, Director BOEMRE



The Bottom Line(s):

More Risk

Higher Cost

Slower Tempo

“Compliance Culture”



Timeline to the “New Normal”



The “New Normal” for Vessel Operations in the GoM

Increased Risk Profile of Oil Companies Will Drive A Flight to Quality for Marine Services:

- “Higher Spec” Vessels (DP-2 & more)
- Demonstrated Culture of Ethics & Safety Will Matter
- Integrity of Vessel Safety Management Systems
- Ability to Attract Quality Mariners
- Increased Coordination of Ship / Shore and Ship / Rig Interface
- Strong Balance Sheet to Support Investment



The “New Normal” for Vessel Operations in the GoM (cont.)

Anemic GoM, if Prolonged, Will Create Challenges When the New Normal Arrives:

- Mariner Shortages Will Intensify
- Shipyard / Shore-based Infrastructure Will Weaken
- New Investment in Vessels Delayed



The “New Normal” for Vessel Operations in the GoM (cont.)

Regulatory Contagion:

- USCG Will Weigh-in With Regulatory Changes of its Own
- Classification Societies Will Review Class Standards and Inspection Processes
- International Regulators Will Heighten Standards
 - International Maritime Organization (IMO)
 - Flag States
 - Port States



A Message To US Regulators:

*“A Working Gulf Is A
Safe Gulf...”*





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Thanks!

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