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# Oil Companies Weigh Strategies to Fend Off Tougher Regulations

By [ERIC LICHTBLAU](#) and [JAD MOUAWAD](#)

WASHINGTON — When the Obama administration imposed [new restrictions](#) last week on [offshore drilling](#) in the wake of the [BP oil spill](#), officials carved out an exemption that received little public attention: Companies working in shallow waters, unlike deep-sea operators like BP, could again begin drilling for oil and gas.

The decision, which followed a furious appeal from lawmakers allied with the oil industry, represented a surprising victory for the shallow-water drillers in the midst of what could prove the biggest environmental disaster in United States history. And it reflected the intense lobbying efforts at work from all sides, as Congress and the administration consider ways to prevent another drilling disaster off the nation's coasts.

Environmentalists and their supporters in Congress, hoping to seize the political momentum, are working to push through measures to extend bans on new offshore drilling, strengthen safety and environmental safeguards and raise to \$10 billion or more the cap on civil liability for an oil producer in a spill.

"You don't want to let a good crisis get away," said Athan Manuel, the director of lands protection for the [Sierra Club](#)'s legislative office, which is pushing for a permanent moratorium on new offshore drilling.

Oil industry executives acknowledge the stiff political resistance that they face. Despite the success of shallow-water drillers in avoiding a continued ban on their end of the industry, executives and industry analysts say the daily images of oil wafting onto the coastline will make it tougher for them to fend off calls for tougher regulations that extend far beyond BP and the Deepwater Horizon spill.

Bruce Vincent, president of the [Independent Petroleum Association of America](#), which

represents both deep-sea and shallow-water drillers, said Wednesday that he was concerned about a “domino effect” sweeping through Washington, with new regulations now under discussion threatening to cut oil production, jobs and industry profits.

“It’s amazing to see the impact that one company can have for all sorts of other people,” he said. “When a plane crashes, you don’t just shut down every airline in the fleet until you find out what happened.”

The oil and gas industry is a formidable presence in Washington. It spent more on federal lobbying last year than all but two other industries, with \$174.8 million in lobbying expenditures, according to the [Center for Responsive Politics](#), a nonpartisan research group.

Political action committees set up by the oil and gas producers contributed an additional \$9 million last election cycle to Congressional candidates, with Koch Industries, ExxonMobil, [Valero Energy](#) and [Chevron](#) leading the way, the data showed. (BP ranked 19th, with \$75,500 in contributions, most to Republicans.)

For decades, the oil industry had showcased and developed its latest technology in the Gulf of Mexico. But the spill now casts a pall over offshore oil and gas operations, just as the industry thought it had snatched a major victory from the administration, which agreed to expand oil and gas drilling earlier this year.

[Rex Tillerson](#), the chairman and chief executive of ExxonMobil, admitted last week that the industry faced a huge challenge.

“The most difficult challenge confronting the whole industry at this point is regaining the confidence and trust of the public, the American people, and regaining the confidence and trust of the government regulators and the people who oversee our activities out there,” he said in response to questions from reporters after a shareholder meeting.

The industry was already grappling with the prospect of tighter scrutiny over some of its drilling practices even before the gulf spill. Congress has been looking at the environmental impact of hydraulic fracturing, where water is pumped at high pressure to break rocks and free [natural gas](#), a technique that some environmental groups believe can pollute underground water sources.

Now the industry is facing a much graver threat as it seeks to determine how long the administration’s deepwater drilling ban will last. The [Interior Department](#) said last weekend that all drilling activity in the waters deeper than 500 feet was to stop for six months. But some analysts fear the ban could be prolonged until a commission appointed by the president

provides its conclusions.

That could extend the ban for a year, and the [American Petroleum Institute](#), the industry's main trade group, forecasts that a longer delay could crimp future production by as much as 400,000 barrels a day by 2015.

As well as imposing a drilling ban in the Gulf of Mexico, the administration also halted new drilling off Alaska and Virginia for the time being. The announcement stalled plans by Shell to drill three exploration wells in the Beaufort Sea this summer. It also put off a long-awaited sale of new leases off Virginia for the first time since the administration lifted a longstanding moratorium on drilling in the Atlantic.

With the environmental damage growing from the BP disaster, the industry's most persuasive argument in trying to fend off tougher regulations may prove to be jobs. That was one of the crucial elements used by the shallow-water operators — mostly smaller companies that produce about 20 percent of the gulf's daily oil production of 1.7 million barrels — to earn an exemption from the new restrictions at the Interior Department. A spokesman for the agency declined to explain why the agency had reversed course.

Representative Gene Green, a Texas Democrat who led about 50 lawmakers in appealing to the administration to lift the ban on shallow-water drillers, said he did not want to see 6,000 employees working in shallow waters risk being put out of work.

But the political pressure on the entire industry will keep growing as long as the spill lasts, bringing with it daily images of soiled coastlines.

"The oil companies know that if this is not resolved quickly, the well has been poisoned for everybody," said Lawrence Goldstein, a veteran energy economist. "They are going to be painted with a broad brush. They are on the hook here."

*Eric Lichtblau reported from Washington, and Jad Mouawad from New York.*