

May 10, 2010

Honorable Robert Menendez
U.S. Senator
528 Senate Hart Office Building
Washington, DC 20510

Dear Senator Menendez:

We are retail insurance brokers. Among our clients are offshore contractors, operators and non-operators, both small and large market cap independent entities, with interests in the US Gulf of Mexico. Our clients are involved in almost every aspect of offshore exploration and development work. We have been asked to comment upon the amount of insurance that is available from the commercial insurance market for third party pollution liability for operators and non-operators before and after the Macondo well incident. Prior to the incident, we estimate the maximum working capacity available in the commercial insurance market (i.e., the limit which could be purchased) was \$1.5 billion (for 100% interest – i.e. the limit to be shared between operators and non-operators in any common endeavor). Subsequent to the Macondo incident, we believe the available working capacity has reduced by ~15% and the cost involved in procuring this capacity is and will be significantly higher than the pricing prior to the incident.

If, as we understand, there is legislation under consideration which would materially increase the liability cap for economic damages from its current level of \$75 million, based on our experience operators and non-operators in the US Gulf of Mexico will be unable to obtain adequate protection from insurance. The increase of the liability cap will impact the economic structure of Gulf of Mexico operations. If the liability cap is increased to the levels we understand are under consideration, the fact that adequate insurance protection is not available will dramatically limit the participants in ongoing exploration and production activities – in our view only major oil companies and NOCs (National Oil Companies) will be financially strong enough to continue current exploration and development efforts.

Yours very truly,



Benjamin D. Wilcox
Executive Vice President and
Director Marine and Energy

BDW:jb

cc: Honorable Barbara Boxer
Chairman
Senate Committee on Environment & Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

Honorable James M. Inhofe
Ranking Member
Senate Committee on Environment & Public Works
456 Dirksen Senate Office Building
Washington, DC 20510

Honorable Jeff Bingaman
Chairman
Senate Committee on Energy a& Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Honorable Lisa Murkowski
Ranking Member
Senate Committee on Energy a& Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510