BP to Pay $4.5B over Gulf Spill; Three Employees Charged

MICHAEL KUNZELMAN, The Associated Press

NEW ORLEANS - Oil giant BP has agreed to plead guilty to a host of charges in the deadly Gulf of Mexico spill and pay a record $4.5 billion, including the biggest criminal fine in U.S. history, as three BP employees were also charged, two of them with manslaughter.

The settlement Thursday with the federal government came 2 1/2 years after the fiery drilling-rig explosion that killed 11 workers and set off the nation's largest offshore oil spill.

In announcing the deal, Assistant Attorney General Lanny Breuer said the tragedy "resulted from BP's culture of privileging profit over prudence."

BP will plead guilty to charges involving the 11 deaths and lying to Congress about how much oil was spewing from the blown-out well.

"We believe this resolution is in the best interest of BP and its shareholders," said Carl-Henric Svanberg, BP chairman. "It removes two significant legal risks and allows us to vigorously defend the company against the remaining civil claims."

The settlement appears to be easily affordable for BP, which made a record $25.8 billion in profits last year. And it will have five years to pay. But the oil giant still faces several billion dollars in additional claims for damage to people's livelihoods and the environment.

Separately, BP rig workers Robert Kaluza and Donald Vidrine were indicted on federal charges of manslaughter and involuntary manslaughter, accused of repeatedly disregarding abnormal high-pressure readings that should have been glaring indications of trouble just before the blowout.

In addition, David Rainey, BP's former vice-president of exploration for the Gulf of Mexico, was charged with obstruction of Congress and making false statements. Prosecutors said he withheld information that more oil was gushing from the well than he let on.

Rainey's lawyers said he did "absolutely nothing wrong." And attorneys for the two rig workers accused the Justice Department of making scapegoats out of them. Both men are still with BP.

"Bob was not an executive or high-level BP official. He was a dedicated rig worker who mourns his fallen co-workers every day," Kaluza attorneys Shaun Clarke and David Gerger said in a statement. "No one should take any satisfaction in this

indictment of an innocent man. This is not justice."

The settlement, which is subject to approval by a federal judge, includes payments of nearly $2.4 billion to the National Fish and Wildlife Foundation, $350 million to the National Academy of Sciences and about $500 million to the Securities and Exchange Commission, which accused BP of misleading investors by lowballing the amount of crude that was spilling.

It also includes nearly $1.3 billion in fines.

"This marks the largest single criminal fine and the largest total criminal resolution in the history of the United States," Attorney General Eric Holder said at a news conference in New Orleans. He said much of the money will be used to restore the Gulf.

Holder said the criminal investigation is still going on. Before Thursday, the only person charged in the disaster was a former BP engineer who was arrested in April on obstruction of justice charges, accused of deleting text messages about the company's handling of the spill.

The largest previous corporate criminal penalty assessed by the Justice Department was a $1.2 billion fine against drug maker Pfizer in 2009.

Greenpeace blasted the settlement as a slap on the wrist.

"This fine amounts to a rounding error for a corporation the size of BP," the environmental group said.

Nick McGregor, an oil analyst at Redmayne-Bentley Stockbrokers, said the settlement would be seen as "an expensive positive."

"This scale of bill is unpleasant," he said. But "the worst-case scenario for BP would be an Exxon Valdez-style decade of litigation. I think that is the outcome they are trying to avoid."

Still, for BP, the cost of the tragedy could climb much higher.

For one thing, the U.S. government and the Gulf states are still seeking billions of dollars in civil penalties against BP over the environmental damage.

Also, a federal judge in New Orleans is deciding whether to approve an estimated $7.8 billion settlement between BP and more than 100,000 businesses and individuals who say they were harmed by the spill. They include fishermen, charter boat captains, restaurants, hotels and property owners.

The Deepwater Horizon rig blew up 50 miles (80 million kilometers) off Louisiana on April 20, 2010, in an explosion that investigators blamed on time-saving, cost-cutting decisions by BP and its drilling partners in cementing the well shaft.

Following several failed attempts that introduced the American public to such industry terms as "top kill" and "junk shot," BP finally capped the well on the sea floor after more than 85 days.

By then, the well had spewed an estimated 172 million gallons (651 million liters) of crude into the Gulf, fouling marshes and beaches, killing wildlife and closing vast areas to fishing.

BP will plead guilty to 11 felony counts of misconduct or neglect of a vessel's officers, one felony count of obstruction of Congress and one misdemeanor count each under the Migratory Bird Treaty Act and the Clean Water Act. The workers' deaths were prosecuted under a federal law that protects seamen.

Nelda Winslette's grandson Adam Weise of Yorktown, Texas, was killed in the blast. She said somebody needs to be held accountable.

"It just bothers me so bad when I see the commercials on TV and they brag about how the Gulf is back, but they never say anything about the 11 lives that were lost. They want us to forget about it, but they don't know what they've done to the families that lost someone," she said.

Sherri Revette, who lost her husband of 26 years, Dewey Revette, of State Line, Mississippi, said the indictments against the employees brought mixed emotions.

"I'm saddened, but I'm also happy at the same time that they will be prosecuted. I feel for them, of course. You never know what impact your actions will have on others," she said.

Frank Parker, a shrimper from Biloxi, Mississippi, said: "I just hope the money gets down to the people who need it."

Scientists warn that the spill's full effect on the Gulf food chain may not be known for years. But they have reported oil-coated coral reefs that were dying, and fish have been showing up in nets with lesions and illnesses that biologists fear could be oil-related. Oil churned up by storms could be washing up for years.

The spill exposed lax government oversight and led to a temporary ban on deep-water drilling while officials and the industry studied the risks and worked to make it safer. BP's environmentally friendly image was tarnished, and CEO Tony Hayward stepped down after some gaffes that included lamenting at the height of the crisis: "I'd like my life back."

The cost of the spill far surpassed that of the Exxon Valdez disaster in 1989. Exxon ultimately settled with the government for $1 billion, which would be about $1.8 billion today.

The government and plaintiffs' attorneys have also sued Transocean Ltd., the rig's owner, and cement contractor Halliburton, but a string of pretrial rulings by a federal judge undermined BP's strategy of pinning blame on them.

Associated Press writers Pete Yost in Washington, Kevin McGill in New Orleans and Holbrook Mohr in Jackson, Mississippi, contributed to this story.

Source URL (retrieved on *04/17/2014 - 7:07am*):
http://www.chem.info/news/2012/11/bp-pay-45b-over-gulf-spill-three-employees-charged?qt-most_popular=1