BP Seeks Halt to Gulf Spill Settlement Payouts

MICHAEL KUNZELMAN, Associated Press

NEW ORLEANS (AP) — BP asked a federal judge on Tuesday to temporarily halt all settlement payments to Gulf Coast businesses and residents who claim they lost money after the company's 2010 oil spill while former FBI Director Louis Freeh investigates alleged misconduct by a lawyer who helped administer the multibillion-dollar settlement program.

BP PLC argues in a court filing that it shouldn't be required to take the risk that hundreds of millions of dollars in claims payments could be "tainted by fraud, corruption and malfeasance."

"A temporary suspension in ... payments will eliminate the serious risk of any further irreparable harm to BP while having little negative impact upon the claimants," attorneys for the London-based oil giant wrote.

U.S. District Judge Carl Barbier didn't immediately rule on BP's most recent request to temporarily halt settlement payouts.

In April, Barbier refused to block what could be billions of dollars of payments to businesses after BP argued that he and court-supervised claims administrator Patrick Juneau have misinterpreted the settlement and forced the company to pay for inflated and fictitious losses.

Barbier, who appointed Juneau, upheld his interpretation of settlement terms governing payments to businesses. BP appealed that decision.

A three-judge panel from the 5th U.S. Circuit Court of Appeals heard the case last Monday. The panel didn't indicate how soon it would rule.

Last month, Juneau announced that his office is investigating allegations that an attorney on his staff, Lionel H. Sutton III, received a portion of settlement proceeds for claims he had referred to a law firm before he started working on the settlement program. Sutton resigned on June 21, a day after Juneau provided Barbier with a report outlining the allegations. Sutton denied the allegations when Juneau discussed them with him, according to the report. .

Sutton's wife, Christine Reitano, also worked as a lawyer for the settlement program, but her contract was terminated on June 26. A report from Juneau to Barbier dated July 2 doesn't specify a reason for the termination of Reitano's contract.

Barbier appointed Freeh on July 2 to lead an independent probe of the allegations involving Sutton and to take a broader look at the settlement program. The judge's order says Freeh is charged with "fact-finding as to any other possible ethical

violations or other misconduct" within the settlement program.

Freeh, a former federal judge who served as FBI director from 1993 to 2001, founded a consulting firm in 2007.

BP spokesman Geoff Morrell said the company believes a temporary pause of all claims payments is "prudent and necessary" during Freeh's investigation. In the filing, BP lawyers argued there is a "material risk that other aspects of the claims process have been compromised."

" ... Given these risks, business cannot continue as usual," the attorneys wrote. "On average, the CSSP is making more than $73 million in claims payments per week. It would be impractical if not impossible for BP to recover all tainted payments made by the CSSP during the investigation."

"No company would agree to bear the risk of improper payments in these circumstances," Morrell said in a statement. "BP is simply seeking to pause payments while Judge Freeh completes his court-ordered investigation."

"Put simply, BP did not bargain for, and should not have to bear the risk of, improper payments due to fraud or corruption," the company's attorneys said.

Asked about BP's motion, Juneau wrote in an email Tuesday that his office "has not seen or reviewed the motion. Additionally, we cannot comment on the motion since this issue will be before the Court."

"We will continue to process claims until the court instructs otherwise," he added. "As always we will faithfully abide by the directions of the court."

Earlier this week, Juneau wrote that its fraud investigative process is "extremely robust and highly attuned to determining, investigating and preventing fraudulent claims."

The April 2010 blowout of BP's well off the Louisiana coast triggered an explosion that killed 11 workers on the Deepwater Horizon drilling rig and led to millions of gallons of oil spilling into the Gulf. Shortly after the disaster, BP agreed to create a $20 billion compensation fund that was administered at first by the Gulf Coast Claims Facility, led by attorney Kenneth Feinberg.

After the settlement was announced last year, Barbier appointed Juneau to take over the process of evaluating and paying claims.

The settlement doesn't have a cap, but BP initially estimated that it would pay $7.8 billion to resolve claims by tens of thousands of Gulf Coast residents and businesses. Now the company says it no longer can give a reliable estimate for how much the deal will cost.

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