Judge Intervenes as BP Balks at Paying Claims Czar

MICHAEL KUNZELMAN, Associated Press

NEW ORLEANS (AP) — A federal magistrate has set a Wednesday hearing for BP to justify why it has balked at paying more than $130 million in fees to the court-supervised administrator of its multi-billion dollar settlement with Gulf Coast businesses and residents after the company's 2010 oil spill.

In a letter dated Monday, BP claims official Maria Travis claimed the settlement program administered by Lafayette-based attorney Patrick Juneau has been plagued with problems.

"It would be unreasonable to approve a budget that validates and incentivizes the various claims administration vendors to perpetuate their track record of poor productivity and excessive costs," Travis wrote to Juneau's office.

U.S. Magistrate Sally Shushan scheduled Wednesday's hearing in New Orleans on whether BP should be ordered to fund Juneau's proposed third-quarter budget of $130 million.

Travis said the company cannot determine if that budget request is reasonable without more documentation.

In a separate action, BP has asked a federal judge to suspend all settlement payments while former FBI Director Louis Freeh investigates allegations of misconduct by an attorney who worked on Juneau's staff. Lionel H. Sutton III, who resigned on June 21, is accused of receiving a portion of settlement proceeds for claims he referred to a law firm before he went to work for Juneau.

U.S. District Judge Carl Barbier rejected that request last month, saying he had seen no evidence of widespread fraud. However, BP renewed its request for a temporary halt in payments on Monday, citing fresh allegations of fraud and conflicts of interest inside the settlement program.

In a court filing, the company said at least two lawyers who have ruled on appeals of disputed settlement awards were partners at law firms that have represented claimants and filed claims of their own for the firms to be compensated.

BP spokesman Geoff Morrell in an emailed statement said that under the settlement agreement, the claims administrator's budget is subject to BP's "reasonable approval."

BP also said it recently learned of allegations that someone employed by the settlement program at its Mobile, Ala., center helped people submit fraudulent

claims in exchange for a portion of the awards. Juneau's office suspended that employee and a co-worker who allegedly helped that employee access claims data.

Travis said in her letter that Juneau's office has racked up more than $500 million in administrative expenses since last year, when Barbier appointed him to take over the process of evaluating and paying claims from the Gulf Coast Claims Facility.

Travis said Juneau's third-quarter budget request was in an email that listed the total amount requested along with a "simple, 13 line chart generally identifying dollar amounts by vendor."

"The proposed budget does not evidence a systematic, disciplined budgeting process," she wrote.

In a statement, Juneau said his office would be "fully prepared to address and will address the request of the claims administrator to fund the proposed third quarter budget."

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