U.S. Ramps Up Tab on BP

Stock Plunges as White House Insists Company Pay All Idled Oil Workers in Gulf

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The Obama Administration ratcheted up its demands on Wednesday that BP PLC cover all costs stemming from the Gulf of Mexico oil spill, including millions of dollars in salaries of oil industry workers laid off because of the federal moratorium on deepwater drilling.

The sudden increase in BP's potential liabilities—along with growing evidence that even more oil than expected is gushing from BP's crippled well—helped send BP's shares plummeting almost 16% in New York, to $29.20. The stock has lost close to half its value, more than $82 billion, in the seven weeks since the spill started.

"There is no objective justification for this share price movement. BP faces this situation as a strong company," said BP chief executive Tony Hayward in an interview at the company's Houston crisis center. "We have significant capacity and flexibility in dealing with the cost of responding to the incident, the environmental remediation and the payment of legitimate claims."

BP didn't comment directly on the latest demand from Washington. But it is expected to argue that under the Oil Pollution Act of 1990, BP is liable only for the direct costs of the clean-up and couldn't be held responsible for the lost wages of oil workers.

"Somewhere a line has to be drawn," a company official said. Several legal experts said they couldn't think of any law or precedent that would allow the

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- Sand berms getting built, but doubts persist

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U.S. to try to recover damages from BP on behalf of rig workers thrown out of work by a government moratorium on deep offshore drilling.

"I'm not aware of anything out there that would allow [President Obama] to latch onto a legal remedy on behalf of the out-of-work workers," said Benjamin A. Escobar Jr., a Houston-based labor and employment attorney for Beirne Maynard & Parsons. "I think he's in for a real court fight on these issues."

The White House has a different view. "The moratorium is a result of the accident that BP caused. It is an economic loss for those workers," Press Secretary Robert Gibbs said. "Those are claims that BP should pay."

The meltdown in BP's stock suggested investors are bracing for a worst-case scenario. BP said it has spent well over $1 billion on the spill response. The total clean-up and legal costs to BP could reach some $33 billion, though these might not fully materialize for a decade, say Goldman Sachs analysts.

"The market is saying BP's future is in doubt," said Fadel Gheit, an analyst at Oppenheimer & Co. "They think BP's CEO and chairman will be forced out, that it will suspend the dividend for an unknown period of time, and that it may even be forced to liquidate, and sell off its most strategic assets." The company's board has said that it stands behind BP's leaders and their response to the spill.

In the U.K., oil executives warned of political and financial fallout, noting BP dividends make up a large share of money feeding U.K. pension funds.

But U.S. politicians say BP should be using all its resources to stop the spill and clean up the Gulf, not rewarding shareholders. Local officials and Gulf Coast residents say the company isn't moving quickly enough to pay for damage from the spill.

The U.S. government's point man on the oil spill, Adm. Thad Allen, demanded Thursday that BP provide more detail on how it is meeting claims from individuals and businesses.

The mounting pressure on BP comes as the company is capturing more oil, which has been gushing since the Deepwater Horizon drilling rig sank in April.

The company said it is now collecting more than 15,000 barrels a day, following the installation of a new containment cap last week that channels oil and gas up to a vessel on the surface.

A permanent solution will only come with the completion of a relief well, which is supposed to be finished in August.

The prospect of demanding that BP cover worker salaries came up first when Energy Secretary Ken Salazar was testifying before a Senate committee. Citing oil-services companies that had written her, Sen. Mary Landrieu, D-La., asked Mr. Salazar if "the oil-services companies have to either go out of business or take bankruptcy or lay off classes of workers, are you going to ask BP to pick up their salaries and to make them whole?"

He replied: "The answer to that is yes, we will."

The Louisiana Mid-Continent Oil and Gas Association has estimated that the number of jobs affected by the moratorium ranges from 26,000 to 46,000. Direct wages lost could be as high as $330 million a month.

The government has big sticks to use against BP, including the threat of criminal indictment. BP is the biggest supplier of fuel to the Pentagon, with contracts worth $2.2 billion a year. BP is also the largest oil producer, on federal waters in the Gulf.

In another sign of the Obama administration's get-tough approach to BP, Rear Admiral James Watson of the U.S. Coast Guard wrote to the company demanding details of its oil-recovery plans within 72 hours. The Coast Guard wants to be sure that the effort won't be impeded by problems with one vessel or the onslaught of a hurricane.

The administration also is demanding "more detail and openness from BP" to ensure it was meeting its commitment to restore the Gulf Coast, according to a letter from Adm. Allen to BP released Wednesday. His team had asked for access to the BP claims database to be able to monitor individual claims.

BP pledges to honor all legitimate claims, and says that as of June 7, it had paid nearly $49 million and issued nearly 18,000 checks to those impacted by the spill, such as fishermen. It says that it hasn't denied any of the 37,000 claims submitted, though it has paid few larger than $5,000. BP says that by the end of June it will have paid about $50 million to 7,900 individuals and businesses in Louisiana and smaller sums in other states.

"Monica Loosley, Jennifer Levitz and Ana Campoy contributed to this article."