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GULF SPILL

Investors allege BP overstated safety effort

By Collin Eaton

Attorneys for BP investors told a federal judge Monday that the British oil company misled the market for years on how safe its deep-water drilling operations were in the lead-up to the 2010 Gulf of Mexico oil spill.

It was the attorneys' second bid to attain class certification for more than 100 institutional and individual investors to pursue a securities lawsuit against BP. Houston attorney Richard Mithoff led a team that presented a model they said could calculate damages suffered by investors in various circumstances.

US. District Judge Keith Ellison rejected the group's first try in December.

During a class certification hearing in Houston, Mithoff told the judge that BP "consistently misrepresented its risk profile to investors" --- which kept prices for BP shares artificially high, increasing investors' losses when BP stock plunged after the spill.

Mithoff said BP had claimed in various investor reports from won to 2010 that it was implementing a new operating management system to replace old safety processes across all of its businesses.

BP's then-CEO, Tony Hayward, told employees before the spill, however, that the system would not be put into effect on its contracted drilling rigs, according to emails and other new evidence Mithoff submitted to the court Monday.

"That's contrary to what BP was telling the public," Mithoff said.

The Deepwater Horizon rig, destroyed when BP's Macondo well -- blew out April 20, 2010, was under contract from Transocean.

The investors' attorneys alleged that BP had made 14 false statements about when the new operating management system would be in place across its operations, about its ability to respond to a deep-water oil spill, and similar issues.

The attorneys have maintained that inflation in BP's stock that can be attributed to the allegedly false statements could be worth more than $18 per share to the investors.

The plaintiffs have not said how much in compensatory and punitive damages they are seeking.

BP urged Ellison to deny the group a class certification and to schedule individual case hearings to cultivate a more tailored approach to the investor complaints,

BP lawyer Rick Pepperman, with Sullivan and Cromwell, said the plaintiffs' damage model would fall apart if they failed to win favorable judgments on most or all of the 14 statements.

For example, if a jury found that some statements made long before the 2010 oil spill were not false, then some investors who bought BP shares then would not be entitled to any damages, while others who invested just before the spill might reap a much bigger portion of any damages, Pepperman said.

Under that logic, the stock price inflation used to determine damages would have been brought about only by the passage of time, and not any real economic drivers, he said.

BP rose 15 cents to $49.03 in New York Stock Exchange trading Monday.

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