

Accident's cost hits BP's bottom line

■ **Victims' lawyers say \$700 million set aside by the firm makes sense**

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Four months after an explosion rocked BP's Texas City refinery, the financial impact of the incident has finally rever-

berated to the energy giant's bottom line.

When profits were reported to regulators Tuesday, the London-based company announced it is setting aside \$700 million to deal with death and personal injury claims stemming from the March 23 refinery explosion that killed 15 workers and injured 170.

So far, \$120 million has been paid. It is estimated another 200 cases of injuries and prop-

erty damage are pending.

Ongoing investigations by the Chemical Safety Board and BP internally have acknowledged both human error and equipment failure played a role in the blast.

The isomerization unit at the refining complex that malfunctioned and blew up is still out of commission. BP is still weighing its options on how to rebuild it.

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BP: Swift, 'serious' negotiations praised

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The unit, which helps create premium grades of gasoline, had generated more than \$2 million a day for BP. The loss of that operation cost BP \$200 million in its refining and marketing segment for the second quarter.

Companywide, BP earned \$5.6 billion on revenues of \$88 billion for the second quarter.

It would have been a record profit for the world's second-largest publicly traded energy company, but BP had to take a hit to its profit in the form of a one-time charge of \$826 million — including the \$700 million set aside for the Texas City explosion.

Richard Mithoff, a lawyer hired on behalf of five workers who died and two who were severely injured, was in court trying to get access to BP documents on that clear March day when the explosion ripped through the refinery. He was working on another Texas City death case, this one involving a 2004 incident at the complex.

BP quickly agreed to negoti-

A ROCKY FIRST HALF

■ **\$12.2 billion:** BP's profits for first half of 2005

■ **\$169 billion:** BP's revenues for first half of the year

■ **\$700 million:** Money set aside for death and personal injury cases

■ **\$120 million:** Money already paid to victims of the Texas City Blast and their families

■ **\$580 million:** Money left to settle claims

■ **15:** Workers killed

■ **170:** Workers injured

ate the 2004 case shortly after the 2005 explosion. Mithoff is still in negotiations for one death case and one serious-injury suit, but he said the \$700 million set aside for Texas City fallout reflects BP's understanding of the seriousness and magnitude of the event for victims and their families.

"BP has, frankly, through

their lawyers been up front in these negotiations. And they've been very fair. It's unusual for negotiations to take place this early and be this serious," Mithoff said.

Rob Ammons, a Houston attorney handling many injured workers' suits, said BP's initial response to claims has been rapid and appreciated.

"It was refreshing to see BP take a reasonable approach to resolution of the death claims, and we're still waiting to see if that continues on to the folks whose backs have been broken and lives have been ruined but remain alive," Ammons said.

BP's decision to take a large one-time charge was a smart way to appease Wall Street, according to Fadel Gheit, an analyst with Oppenheimer & Co.

"They made sure they provided ample coverage so there are no surprises. They want to make sure they provide compensation for everyone affected, but they just want to put an end to it instead of trickling down costs quarter after quarter."

During a conference call

about the company's financial performance, BP Chairman John Browne also announced the Thunder Horse platform in the Gulf of Mexico will not begin producing oil this year.

The 59,500-ton floating offshore platform with a capacity to pump 250,000 barrels of oil a day cost BP billions of dollars to build. It was expected to begin operations in late 2005 but was found to be listing by as much as 20 degrees on July 11 because of flooding in two of its four support pylons.

Even though the Thunder Horse tilting incident occurred about the time Hurricane Dennis rumbled through the Gulf, the storm was not to blame.

"It's been righted," a BP spokesman said. "It's secure and safe and stable again, but we have to find the cause before we get ready for production."

The company is not saying when Thunder Horse will begin pumping oil and natural gas.

BP's stock dropped \$1.38 to \$65.50 in Tuesday trading.

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