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Newsroom

Logan on BP in Wall Street Journal

The Wall Street Journal spoke to Dean David A. Logan about the corporate and legal dynamics at play as implicated companies sue one another over liability.

From the **Wall Street Journal**, "[Links Between BP, Contractors Likely To Endure Gulf Spill Fight](#)" by Angel Gonzalez and Ryan Dezember of DOW JONES NEWSWIRES



HOUSTON, April 22, 2011 (Dow Jones)--The

different companies implicated in the BP PLC (BP, BP.LN) oil spill have finally unsheathed their swords in an all-against-all legal battle over who gets blamed for the disaster. But outside the courtroom, BP and the oil field service companies that it hired to drill the ill-fated Gulf of Mexico well that blew out last year are entangled in multiple endeavors across the globe, a situation that's likely to outlast the bitter litigation.

BP on Wednesday sued drilling contractor Transocean Ltd. (RIG, RIGN.VX), cement provider Halliburton Co. (HAL) and Cameron International Corp. (CAM), the maker of the blowout preventer that failed to contain the gusher of oil and gas that came out of the gulf's depths on April 20, 2010. The defendants responded in kind, suing BP and their fellow contractors in turn.

The lawsuits are widely seen as a legal maneuver, filed under a deadline that coincided with the anniversary of the Deepwater Horizon explosion. But the allegations -- ranging from negligence to faulty planning, maintenance and design -- are serious, and the stakes are in the billions of dollars.



The companies, however, are conscious that they're likely to keep working together for a long time and that they must limit their animosities to the Deepwater Horizon case, **said David Logan, dean of the Roger Williams University School of Law.**

"These are big boys and girls; they're used to playing rough," **Logan said.** "They'll keep playing in the game."

The dual dynamic of confrontation and collaboration surrounding the Deepwater Horizon incident underscores the tightly knit nature of the oil industry, where energy producers, the companies that make money by extracting oil and gas and selling it, have long-term relationships with a plethora of service providers that specialize in complex technologies.

The massive responsibility of the BP spill was quick to create tension in the oil industry, however: Transocean, BP and Halliburton were quick to blame each other amid the governmental and media grilling that followed the incident. BP's peers, such as Exxon Mobil Corp. (XOM) and Chevron Corp. (CVX), were also quick to distance themselves from the U.K. oil company, with which they have often participated in joint ventures.

Transocean's annual report acknowledges that its relationship with BP, its biggest client, accounting for 10% of its 2010 operating revenue, could "be negatively impacted" by the Deepwater Horizon incident.

"The loss of this customer or another significant customer could, at least in the short term, have a material adverse effect on our results of operations."

But for now the companies are locked into years-long drilling contracts valued at more than \$3.2 billion.

In many disputes the threat of the customer walking away gives the buyer leverage in negotiating a settlement. But if there's no other seller, then the tables might turn, said Michael Marino, an analyst with Stephens Inc., a Little Rock, Ark., investment bank.

Transocean is the world's largest deepwater drilling contractor. Cameron built 43% of the blowout preventers that have been installed offshore. Halliburton is the world's second-largest oil field services company after Schlumberger Ltd. (SLB). They are all players in a market that's straining to keep up with demand from producers ramping up output as high oil prices continue.

While Cameron may see some of its market share shrink as it deals with recent findings by a government-commissioned study about faults in blowout preventer design, BP is likely to see that "there aren't many alternatives to Transocean and Halliburton," said Bill Herbert, an analyst with Simmons & Co.

If, say, BP were to fire Halliburton, there's no telling how long it would take to replace its employees and equipment throughout the British oil company's far-flung empire. Familiarity may also give BP managers pause in parting with contractors. "These guys have 30-year relationships in the oil patch," Marino said.

Marino said that even the handling of the Deepwater Horizon incident showed how linked these companies were. Despite the fact that they were already finger-pointing, BP used Transocean rigs to drill the relief well that killed the runaway gusher and hired Halliburton to cement the well shut.

By Angel Gonzalez and Ryan Dezember, Dow Jones Newswires

For full story, click [here](#).