

# BP GULF DISASTER AND ITS FAILED RUSSIAN EXPERIMENT

A couple of interesting, tangentially related things happened today.

First, in a bid to wall off the PR disaster of the Gulf spill from the rest of the company, BP has assigned someone—an American BP employee—to take charge of cleanup efforts.

BP is to hive off its Gulf of Mexico oil spill operation to a separate in-house business to be run by an American in a bid to isolate the “toxic” side of the company and dilute some of the anti-British feeling aimed at chief executive Tony Hayward, the company said today.

The surprise announcement was made during a teleconference with City and Wall Street analysts in which Hayward attempted to shrug off the personal criticism saying words “could not break his bones”.

In tangentially related news, a business unit in BP’s Russian subsidiary, TNK-BP, has filed for bankruptcy.

Russian-British oil venture TNK-BP says a subsidiary that holds the license to a huge Siberian gas field has filed for bankruptcy.

The oil company said in a statement Thursday that RUSIA Petroleum was unable to repay debts to its parent company.

Note, this is just one subsidiary of TNK-BP, but still presumably a significant deal.

I say it’s tangentially related because the dude BP has put in charge of cleaning up our Gulf was

run out of Russia a few years ago.

Responsibility for the leaking well and the clean-up strategy will be placed in the hands of Bob Dudley, one of the company's most able directors.

Dudley, a US citizen, has been looking for a suitable role in the company since he was thrown out of Moscow in a battle with the Russian shareholders of the TNK-BP joint venture in the middle of 2008.

Hayward said the clean-up business would be run separately by Dudley with his own staff but the finances and budget would come from the main BP group. The BP chief executive said the purpose of the split was to allow Dudley to concentrate on the Gulf problem while he and other directors were not distracted from keeping the main business on track.

Until 2008, Dudley was CEO of TNK-BP, when he got run off by the Oligarchs. The guy in charge of negotiating with the Russians at TNK-BP during the same period was James Dupree.

Mr. Hayward delegated much of the handling of TNK-BP and the relationship with the Russian partners to James Dupree, the head of Russia and Kazakhstan for BP. He knew the business well, having worked as a senior TNK-BP executive. But that history also complicated relations in his new role, since he'd been formally a subordinate to some of the Russian shareholders, who also held management jobs.

"Dupree was a midlevel functionary who wasn't senior enough to make any decisions," said one person close to AAR. BP officials acknowledge they mishandled the relationship. A spokesman said Mr. Dupree wasn't available for comment.

Around the same time Dudley was run off, Dupree was replaced by a triathlon partner of Tony Hayward. Here's more extended background on BP's 2008 Russian fiasco.

Dupree was—at least when this whole mess started—BP's Senior Vice President for the Gulf of Mexico. He was the guy who first told Congress about the negative pressure tests the Macondo well failed, but neglected to mention the company pushed ahead on capping the well in spite of the tests (company lawyers corrected that version). I haven't heard a peep from Dupree since.

In addition to Hayward's triathlon partner, after Dudley was chased out by the Russian Oligarchs, BP brought in Lamar McKay.

Mr. Hayward also brought in a top troubleshooter with years of Russian experience, Lamar McKay, to take over talks with the AAR partners instead of Mr. Dupree, the executive who had worked for them inside TNK-BP.

Fearing detention, Mr. Dudley fled Russia in secret in late July. BP's board was meeting the day he left and several directors were stunned when told of the news, according to people close to the company.

Before being brought into save BP Russia, McKay had negotiated several of the legal settlements—for Texas City and Prudhoe Bay—for which BP remains on probation. McKay was in Russia for just a few months before he got put in charge of BP America. McKay's the guy who spent a chunk of time in the last month—as President of BP America—testifying before Congress.

Now, I don't know what any of this means. But I do think it worth noting that BP keeps putting the guys who had been in charge of its failed Russian project in charge of our Gulf. It makes me ask several questions:

- Some of the dudes who botched the Russia relationship are portrayed as very close to Tony Hayward. Is this part of a pissing contest between Hayward and Chairman Carl-Henric Svanberg? (The Guardian article that reported this has Hayward denying tensions between himself and Svanberg.)
- Is this, instead, an effort to isolate the ballooning financial responsibilities of BP from the rest of BP?
- Why has BP chosen to put a bunch of guys who fought the Russian Oligarchs—and lost—in charge of our Gulf?

I can't help but wonder whether this move is about protecting Tony Hayward, rather than protecting what's left of the Gulf Coast.