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BP Manager Says Budget Cuts Might Be Linked to Blast (Update 1)

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By Laurel Brubaker Calkins and Margaret Cronin Fisk

July 2 (Bloomberg) -- [BP Plc](#)'s corporate budget cuts might have been responsible for a 2005 refinery explosion that has cost the oil giant more than \$2 billion in settlements, a manager overseeing engineers at the Texas site told jurors.

"Definitely there was a concern that budget cuts may have contributed to decisions" that let equipment and operating procedures at BP's largest refinery deteriorate in the years before the blast, [Walt Wundrow](#), technical manager at BP's Texas City, Texas, refinery, testified today in the seventh week of a state court [trial](#) over alleged blast injuries.

The explosion, which killed 15 and injured hundreds, generated more than 4,000 lawsuits. The claims of 10 workers and four spouses are being heard in the trial in Galveston, Texas. BP has settled all but 29 of the injury and property-damage claims from a \$2.1 billion fund created for that purpose.

BP, Europe's [second-largest](#) oil company, has admitted responsibility for the blast while consistently denying budget cuts played a role. "Our own very thorough investigation did not identify previous budget decisions or lack of expenditures as a critical factor or immediate cause of the accident," said BP spokesman [Daren Beaudou](#), who is attending the trial.

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"Do you know you're the first person in a managerial capacity to admit budget cuts were responsible" for the deadly explosion, victims' lawyer [Lance Lubel](#) asked Wundrow at trial today.

"I could be," Wundrow replied. Under further questioning, he testified that budget cuts, which independent investigators said were implemented in the face of rising safety warnings, "contributed to conditions that together caused the incident,"

`Refinery Vulnerable'

The [U.S. Chemical Safety Board](#), in an independent investigation, said budget cuts "left the refinery vulnerable to a catastrophe," according to the agency's 2007 report. The U.S. Occupational Safety and Health Administration fined BP a record \$21 million for more than 300 safety violations.

BP has agreed to [plead guilty](#) to one criminal violation of the U.S. Clean Air Act linked to the blast, pay a \$50 million fine and complete three years of probation. Blast victims objected to the deal, complaining the fine is "shockingly lenient" and the agreement violated their legal right to be consulted during the sentencing process.

Victims' Rights

Today, the U.S. Supreme Court rejected the victims' request to prevent U.S. District Judge [Lee Rosenthal](#) in Houston from accepting or rejecting BP's plea until after victims had the chance to appeal their concerns to the high court.

A U.S. appellate court in New Orleans ruled in May that, while the deal violated victims' rights, the injured parties had ample opportunity to express their concerns before the judge acted on the plea, which remains pending before Rosenthal.

BP said it has spent more than \$1 billion repairing and upgrading the Texas refinery and is committed to spending at least \$5 billion more to bring all its U.S. refineries into compliance with industry safety standards, after shortfalls were identified in plant surveys following the 2005 explosion.

The cases are consolidated in *Arenazas v. BP Products North America*, 05CV0337, 212 District Court, Galveston County, Texas (Galveston).

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