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Transocean Petitions to Limit Liability in Gulf Rig Blast

By MARK LONG And ANGEL GONZALEZ

Transocean Ltd., the owner and operator of the Deepwater Horizon drilling rig that burned and sank last month unleashing a massive oil leak into the Gulf of Mexico, Thursday filed in federal court a petition to limit its liability to just under \$27 million.

The world's biggest offshore driller filed the request in the U.S. District Court in Houston under a century-and-a-half-old law that allowed the Titanic's owners to limit their liability following that ship's 1912 sinking. While the company may not succeed in limiting its financial liability, the filing could give Transocean an edge in what could be a lengthy, multipronged legal battle against claims for damages from the accident that killed 11 workers.

"One of the primary goals of this filing is to consolidate in a single court many of the lawsuits that have been filed...to initiate an orderly process for these lawsuits and claims before a single, impartial federal judge," Transocean said in a prepared statement. The company added it is taking this action at the instruction of its insurers to preserve coverage.

The case has been assigned to Southern District of Texas Judge Keith Ellison, who was nominated for the post in 1999 by President Bill Clinton.

More than 100 lawsuits have already been filed against the drilling contractor and the other

involved companies in state and federal courts. BP PLC was leasing the rig from Transocean and is responsible for the costs of cleaning up the massive oil leak sprung by the accident that is threatening the environment and economy of the Gulf shore, according to government officials.

Representatives from BP, Transocean and Halliburton Co., which supplied components used in the drilling process, came under fire from lawmakers in Congressional hearings this week, during which representatives from each company attempted to stave off blame for the disaster. It is unclear what the ultimate cost of the spill will be for each of these companies.

The accident and subsequent oil spill "were not caused or contributed to, done, occasioned and/or incurred by any fault, negligence, unseaworthiness, or lack of due care on the part of the petitioners, or anyone for whom petitioners are or at any material time were responsible," Transocean's filing says.

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Steven Newman, president and chief executive of Transocean. The company is filing a petition to limit its liability in the Gulf oil spill to just under \$27 million.

Under the Limitation of Liability Act of 1851, a vessel owner is liable only for the post-accident value of the vessel and cargo, so long as the owner can show he or she had no knowledge of negligence in the accident, maritime lawyers say. The law was created in the days before modern insurance and communications technology, to help U.S. shipping businesses compete against foreign ship owners who were protected against claims. Drilling rigs count as vessels under U.S. maritime law, and since "the remains of the... Deepwater Horizon now lay sunken" about a mile deep in the federal waters of the Gulf of Mexico, the value of the rig and its cargo comes to no more than \$26,764,083, Transocean claims in the filing. Before the accident, the rig was worth around \$650 million.

Maritime lawyers said the Act very rarely helps companies limit liability. However, it can allow a defendant to gain some control over the legal process, since a judge could place a stay on all pending litigation, which would then have to be refiled in the federal court where the limitation of liability was sought. Vessel owners routinely seek protection under the Act following accidents at sea, lawyers said.

"They get to fix the venue and they get to slow everything down," said Kurt Arnold of Houston-based law firm Arnold & Itkin, who is representing several survivors of the accident. Mr. Arnold added that the measure forces the large number of plaintiff lawyers to coordinate among themselves in order to obtain depositions from the defendants, making the process more cumbersome.

Transocean, based in Zug, Switzerland, also said it contests any liability arising from claims filed under the Oil Pollution Act of 1990, enacted after 1989's Exxon Valdez spill in Alaska, for damages from the oil emanating from the sea floor. Under the Oil Pollution Act and the British company's contract with Transocean, oil-field owner BP is responsible for paying clean-up costs, and executives of the London-based company have said they will foot the bill and honor legitimate damage claims.

"We expect that BP will honor that contract," Transocean Chief Executive Steven Newman said last week during a conference call on the company's earnings. In its statement, the company said Thursday's filing doesn't affect the lawsuits filed under Oil Pollution Act.

Limitation of Liability proceedings not only give the petitioners first say in a venue for litigation, but they also keep the case in front of a judge and away from a jury, said David Robertson, a maritime law professor at the University of Texas in Austin. Juries "tend to favor injured human beings over corporate defendants, and it's presumed federal district judges have no such inclinations," Mr. Robertson said.

Transocean's move comes after BP filed a motion

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last week seeking to have the many lawsuits piling up against it consolidated before a judge in the U. S. District Court in Houston, and after plaintiffs' lawyers also requested that the U.S. Judicial Panel on Multidistrict Litigation consolidate all of the suits seeking class-action status.

Transocean has lost more than a quarter of its market value following the accident, and shares of the company were recently trading down 1.5% at \$67.10 on the New York Stock Exchange.

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Companies within this Article

Transocean Ltd.(RIG)	67.76	-0.38	12:31a. m.
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