

ASHBURN & MASON, P.C.
DANI CROSBY
Alaska Bar No. 9809041
1227 W. 9th Avenue, Suite 200
Anchorage, AK 99501
Telephone: 907/276-4331
907/277-8235 (fax)

COPY
Original Received

MAY 20 2010

Clerk of the Trial Courts

Attorneys for Plaintiff

[Additional counsel appear on signature page.]

SUPERIOR COURT FOR THE STATE OF ALASKA

THIRD JUDICIAL DISTRICT AT ANCHORAGE

JEFFREY PICKETT, Derivatively on Behalf)	Case No.
of BP P.L.C., BP AMERICA, INC. and BP)	
EXPLORATION (ALASKA) INC.,)	VERIFIED SHAREHOLDER
Plaintiff,)	DERIVATIVE COMPLAINT FOR
vs.)	INTENTIONAL AND NEGLIGENT
ANTHONY B. HAYWARD, ROBERT)	BREACH OF FIDUCIARY DUTY,
DUDLEY, IAIN CONN, BYRON GROTE,)	ABUSE OF CONTROL AND GROSS
ANDY INGLIS, CARL-HENRIC)	MISMANAGEMENT
SVANBERG, DEANNE S. JULIUS,)	
DOUGLAS J. FLINT, GEORGE DAVID,)	
SIR WILLIAM CASTELL, CYNTHIA)	
CARROLL, IAN DAVIS, ANTONY)	
BURGMANS, PAUL ANDERSON, IAN)	
M.G. PROSSER, ERROLL B. DAVIS, JR.,)	
JOHN C. MINGÉ and H. LAMAR McKAY,)	
Defendants,)	
- and -)	
BP P.L.C., BP AMERICA, INC. and BP)	
EXPLORATION (ALASKA) INC.,)	
Nominal Defendants.)	

OVERVIEW OF THE ACTION

1. This is a shareholder derivative action on behalf of BP p.l.c. against its entire Board of Directors (the “Board”) and certain of its current and former officers and directors, complaining of breaches of fiduciary duties and gross mismanagement of BP p.l.c. arising from their causing BP p.l.c. and two of its U.S. subsidiaries – BP America, Inc. (“BP America”) and BP Exploration (Alaska) Inc. (“BPEX”) (together with BP p.l.c., “BP” or the “Company”) – to violate the laws of the United States of America and several of its states due to improper, reckless and illegal health, safety and environmental practices at the Company.

2. On April 20, 2010, a massive fire broke out aboard the Deepwater Horizon, an oil rig situated 50 miles off of the coast of Louisiana. Two days of uncontrolled burning caused the 400 foot long Deepwater Horizon to finally submit and sink into the Gulf of Mexico. The sinking oil rig broke the pipeline that connected the Deepwater Horizon to the oil well on the sea floor resulting in at least 200,000 gallons of oil per day spewing uncontrollably into the Gulf of Mexico. The oil slick has just begun to reach U.S. shores, is the size of Jamaica, and is growing by the day. Worse yet, the explosion, fire, and eventual sinking cost 11 lives and severely wounded at least 17 others.

3. The destruction of the Deepwater Horizon and resulting environmental catastrophe is the most recent notable example of BP’s failure to properly implement safety and environmental protections into its operations. In fact, BP has a history of environmental and safety lapses throughout all of its operations. According to Yulia Reuter, head of energy research at RiskMetrics, BP is the biggest oil and gas producer in the United States but “has

a worse health, environment and safety record than many other major oil companies.” For example, in 2007, BP settled a series of criminal charges and paid \$370 million in fines, admitting that “[o]ur operations failed to meet our own standards and the requirements of the law,” and pledging to improve its “risk management.” But only last year, the “Occupational Safety and Health Administration found more than 700 violations at [BP’s] Texas City refinery” and fined the Company a record \$87.4 million, which is more than four times the previous record fine, also to BP, for a 2005 explosion that killed 15 workers at that same refinery.

4. Similarly, the U.S. House of Representatives Committee on Energy and Commerce sent a letter to defendant John C. Mingé, President of BPEX, on January 14, 2010, seeking documents from the Company regarding several “significant events” at BPEX’s North Slope operations. The Energy and Commerce Committee noted at least four safety lapses that resulted in an improper release of gas or oil into the environment around BP’s North Slope operations. According to the letter, BP’s recent safety violations include:

- September 29, 2008: An 8-inch high pressure gas line at the Y-Pad location “separated,” sending 3 pieces of pipe to the tundra. Two segments of the pipe measuring 14 feet and 28 feet in length landed 900 feet from the pipeline. Roughly 30 minutes later, a second and unrelated incident occurred on the S-Pad, causing a gas release.
- January 15, 2009: A disc cleaning “pig” became lodged and lost in a 34-inch Oil Transit Line during de-oiling, allowing gas to pass around the pig and travel through Skid 50 to Pump Station 1, causing a significant venting of gas to the atmosphere and the complete, temporary shutdown of the [Trans-Alaska Pipeline System].
- October 10, 2009: At the Central Compressor Plant, low pressure flare staging valves stuck closed, causing gas to travel to the backup low pressure flare valves, which activated and caused gas to vent

improperly to the atmosphere. This incident could have caused an explosion. In a briefing, you reported to Committee staff that the pilot on the backup flare was not lit and that cameras, while on, were not pointed at the flare location, which prevented BP staff from knowing the pilot was out.

- November 29, 2009: An 18-inch pipe near the Lisburne Production Center that was carrying a mixture of crude oil, produced water, and natural gas ruptured, spraying its contents over an estimated 8,400 square feet area.

5. Additionally, the Committee noted a “number of personnel incidents involving serious injury or death, including two within three weeks of each other in which individuals were crushed by their own vehicles,” and an incident at Prudhoe Bay’s North Gas Injection Pad on November 18, 2009 that “resulted in the death of a BP contract employee.”

6. BP also recently faced criminal charges for its environmental violations. In 2007, the Company pled guilty in an Alaska federal court to violating (for a second time) the Clean Water Act for a 2006 leak in Prudhoe Bay that discharged 200,000 gallons of oil onto Alaska’s North Slope. At the time, this was the largest oil spill ever on the North Slope. Prosecutors accused the Company of being “more interested in cutting costs than in maintaining an aging oil field.” BP’s guilty plea resulted in a \$20 million fine and three years probation.

7. These are only some of the most recent health and safety violations at BP. Before the Deepwater Horizon debacle, BP’s best known catastrophe took place in 2005 when an explosion at its refinery in Texas City killed 15 workers, injured 180 people and forced thousands of nearby residents to remain sheltered in their homes. This disaster resulted in a 341-page report from the U.S. Chemical Safety and Hazard Investigation Board

(“U.S. CSHIB”) and a separate commission led by former Secretary of State James Baker III. These investigations “blamed BP for the explosion” and found “‘organizational and safety deficiencies at all levels of the BP Corporation’ and said management failures could be traced from Texas to London.”

8. According to the U.S. CSHIB report, “[w]arning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it,” while “[c]ost-cutting, failure to invest, and production pressures from BP Group executive managers impaired process safety performance at Texas City.” According to the Baker report, “the company had ‘a false sense of confidence’ about safety and didn’t always make sure that ‘adequate resources were effectively allocated’ to safety issues.”

9. The findings of the U.S. CSHIB and Baker reports appear to remain true today. When applying for a permit to drill for the Deepwater Horizon, BP tried to minimize the potential environmental impact of an accidental oil spill, stating that “there is little risk of contact or impact to the coastline and associated environmental resources.” In fact, according to Rep. Henry Waxman, the Company “told the Energy and Commerce subcommittee on oversight privately that the well [under the Deepwater Horizon] failed a key pressure test just hours before it exploded” and that the test “indicated pressure was building up in the well, which could indicate oil or gas was seeping in and could lead to an explosion.”

10. And, according to Rep. Waxman, despite the failed pressure tests, “‘it appears the companies did not suspend operations, and now 11 workers are dead and the Gulf [of Mexico] faces an environmental catastrophe.’”

11. Defendants' gross mismanagement of BP has severely damaged what was once a valuable corporate franchise. They have deliberately refused to take steps necessary to ensure the Company's compliance with legally required safety rules and environmental safeguards, instead preferring to risk the safety of BP's workers and the well-being of their families in the pursuit of increased profits. Jordan Barab, the Deputy Assistant Secretary of Labor for the Occupational Safety and Health Administration ("OSHA"), noted that "BP has systemic safety and health problems." Consequently, now many of BP's operations have become significant polluters with unsafe working conditions and BP has been assessed millions in fines and penalties. Of course, the tally for the Deepwater Horizon disaster is unknown, but by any measure it will be in the billions of dollars.

12. Defendants' disdain for safety and environmental laws, and the resulting loss of lives and property, has plunged BP into a public relations crisis whereby BP has now been tagged as an unsafe company and gross polluter, all of which are extremely negative developments which are hurting BP's business. This negative publicity and criticism has damaged and continues to damage BP's business, public image, reputation and goodwill.

13. By this action, plaintiff seeks to remedy defendants' failure to discharge their fiduciary duties of loyalty, good faith, independence and candor, and to recover damages and other relief for BP and its shareholders against defendants.

JURISDICTION AND VENUE

14. This Court has jurisdiction over this action pursuant to Alaska Stats. §§22.10.020, 10.06.435(a), 10.06.740, and common law. Each individual defendant has minimum contacts with Alaska sufficient to justify that state's exercise of personal

jurisdiction over each of them, consistent with the laws of Alaska and the United States Constitution.

15. Nominal Defendant BPEX is a citizen of Alaska, as its principal place of operations is located in Anchorage, Alaska. Certain of the other defendants, including defendant John C. Mingé, are residents and citizens of Alaska. Plaintiff Pickett is a citizen and resident of Alaska. There is no diversity of citizenship and this case may not be removed to federal court.

16. Venue is proper in the Third Judicial District pursuant to Alaska Stat. §22.10.030 and Alaska R. Civ. P. 3, because, among other things, BP does substantial business in the Third Judicial District, including operating two of its major subsidiaries out of Anchorage, BPEX and BP Pipelines (Alaska) Inc. A very substantial part of the wrongdoing occurred in and/or had effect in Alaska. Much of the evidence to prove plaintiff's claims – including the location of important physical and documentary evidence and witnesses able to provide live testimony – is here in Alaska. BPEX pled guilty in Alaska to one felony count of knowingly violating the Comprehensive Environmental Response, Compensation, and Liability Act on September 23, 1999, subjecting the Company to five years probation in Alaska. BP's federal regulators, the U.S. Department of Justice ("DOJ"), the U.S. Environmental Protection Agency ("EPA"), the Alaska Department of Environmental Conservation ("DEC") and the Alaska Attorney General are all currently investigating BP in Alaska, or, in the case of the DOJ and EPA, have recently settled charges resulting in BP's payment of large fines and an agreement to serve three years probation in Alaska.

THE PARTIES

17. Plaintiff Jeffrey Pickett is and has continuously been a shareholder of BP since at least November 8, 2000. Defendant Jeffrey Pickett is a citizen and resident of Alaska.

18. Nominal defendant BP p.l.c., is a United Kingdom-based company with its international headquarters in London. BP p.l.c. has extensive contacts with the U.S. Its exploration headquarters are in Houston, Texas. It operates across six continents and more than 100 countries, the U.S. among them. According to BP's website, it is the "largest oil and gas producer and one of the largest gasoline retailers in the United States. [It is] the largest non-US company on the New York Stock Exchange. [Its] BP Alternative Energy business has an operations centre in Houston, and [it] also ha[s] solar manufacturing facilities in the USA." Further:

Since 2004, BP has invested over \$35 billion in the United States to increase existing energy sources, extend energy supplies and develop new low-carbon technologies. BP employs more than 29,000 people in the US, has \$48 billion in fixed assets, and sells more than 15 billion gallons of gasoline every year.

* * *

BP Wind Energy is one of the leading wind developers in the U.S., with interests in six operating wind farms and has two wind farms in construction. Our portfolio includes the opportunity to develop almost 100 projects with a potential total generating capacity of 20,000 megawatts (MW). We have over 1,000 MW in commercial operation and more than 1,000 MW in an advanced stage of development.

BP is one of the largest blenders and marketers of biofuels in the nation. We are underwriting cutting-edge research – investing more than \$500 million over the next 10 years – in the search for a new generation of biofuels that contain more energy, have less impact on the environment, and will not reduce the supply or increase the cost of food.

Fifty Years in the United States

BP entered the North American oil business as a pioneer explorer in Alaska in the late 1950s. In 1969 we made a major oil discovery at Prudhoe Bay on Alaska's North Slope. Through our large share in Prudhoe Bay, we became part owners of the biggest oilfield in the US.

By 2001, following a series of mergers and acquisitions, we'd become the largest oil and gas producer and one of the largest gasoline retailers in the US.

Today, BP is the number one producer of oil and gas offshore in the deepwater Gulf of Mexico. Equally important are our onshore gas operations, which have enabled the company to become the one of the largest gas producers in the US.

We also operate about 10,000 miles of pipelines, making us the second-largest liquids pipeline company in the US. At sea, a fleet of BP-owned and chartered tankers move our products around the globe.

We have modern refineries in Texas City, TX, Carson, CA, Cherry Point, WA, Whiting, IN and Toledo, OH. These five refineries have a total capacity for processing 1.5 million barrels of crude oil a day.

We're also the second largest gasoline marketer in the US. Our products and services are purchased through 11,700 service stations around the country.

19. BP p.l.c. is incorporated under English law, which permits or will permit this action to be maintained based on the allegations made in this Complaint. In addition, the defendants have duties under §172 of the British Companies Act of 2006 as follows:

(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to –

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,

- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

20. However, due to BP's extensive U.S. and Alaskan operations, the large number of BP p.l.c. shareholders in the U.S., the locus of the wrongdoing, and the interests of the U.S. and Alaska impacted by that conduct under the local law exception to the internal affairs clause, the laws of Alaska or another appropriate U.S. jurisdiction may be applied to permit this action to be maintained. BP p.l.c.'s ties to – and impact on – the U.S. are highlighted by the following:

- BP p.l.c. has approximately 29,000 employees in the U.S., one-third of its total worldwide employees and more than in any other country.
- BP p.l.c. produces more crude oil in the U.S. than in any other country.
- BP p.l.c. produces more natural gas in the U.S. than in any other country.
- BP p.l.c.'s capital expenditures in the U.S. are larger than in any other country and BP has more operating capital employed in the U.S. than in any other country.
- BP p.l.c. has extensive operations in Alaska via its direct subsidiary BPEX.

21. Nominal defendant BPEX is a Delaware corporation with its principal place of business in Anchorage. According to BP's website, BPEX "is an upstream strategic performance unit of the BP Group. Globally BP ranks among the 10 largest oil companies and is the fourth largest corporation. The Alaska business is a key part of BP, and the second

largest resource base for BP worldwide. Alaska North Slope gas represents the largest known, undeveloped gas resource in BP's global portfolio." In 2008 alone, BPEX explained that 81% of its 2,000 employees are Alaska residents and that it has 91 wells on Alaska's North Slope.

22. BPEX is also

one of Alaska's largest employers, taxpayers and investors. Petroleum taxes generate about 85 percent of the state's revenue funds and as one of the major oil companies in Alaska, [BPEX] pays a significant portion of these taxes. With approximately 2,000 employees, BPEX is the sixth largest employer in the state. Thousands of contractor employees from a variety of contract companies also support [BPEX's] operation and development activities. [BPEX] is investing approximately \$400 million a year in North Slope facilities and infrastructure to prepare us for the next 50 years of operations.

23. Nominal defendant BP America is a Delaware corporation headquartered in Warrenville, Illinois, and a direct subsidiary of nominal defendant BP p.l.c.

24. Defendant Anthony ("Tony") B. Hayward ("Hayward") currently serves as an Executive Director of the BP Board, and Group Chief Executive. He joined BP in 1982, and after a series of promotions, became Chief Executive for BP's upstream activities and member of the Main Board of BP in 2003. In May 2007, Hayward was appointed Group Chief Executive of BP. Hayward has extensive contacts with the U.S.: he serves on the MIT Energy Advisory Board, and in his previous position at BP he oversaw BP's U.S. Operations. Hayward also serves as a member of other boards and advisory councils: the Business Council of Britain, the Tsinghua Advisory Board, Chair of the GLOBE CEO Forum for Climate Change, and as a Fellow of the Royal Society of Edinburgh. He is also a

Trustee of the Emirates Foundation and a Companion of the Chartered Management Institute.

25. Defendant Robert Dudley (“Dudley”) has served as an Executive Director of the BP Board since April 6, 2009, and is also a member of the BP executive management team. According to BP’s website, Dudley “will assume responsibility for broad oversight of the group’s activities in the Americas and Asia.” He began working for Amoco Corporation in 1979 and when BP and Amoco merged, his position was transferred to BP. He served as President and Chief Executive Officer from 2003 to December 2008, and is currently an Executive Vice President at BP. Dudley has extensive contacts with the U.S. He received his undergraduate degree from the University of Illinois, and also received degrees from the Thunderbird School of Global Management in Arizona and Southern Methodist University in Texas. He worked for Amoco Corporation in Chicago, and prior to that held a variety of engineering and commercial roles in the U.S. and U.K. He also currently serves as a Member of the Board of Fellows of the Thunderbird School of Global Management and a Member of the Society of Petroleum Engineers.

26. Defendant Iain Conn (“Conn”) is an Executive Director of the BP Board and also serves as Chief Executive of Refining and Marketing with regional responsibility for Europe, Southern Africa and Asia Pacific. He joined BP in 1986, and most recently served as Chief Executive of BP Petrochemicals. Conn has extensive contacts with the U.S: as Chairman of BP Pension Trustees Ltd., he oversaw BP workers’ pension in the U.S.; and by having served as Group Vice President of BP’s Refining and Marketing and Chief Executive of Petrochemicals from 2000 to 2004. In addition to his duties at BP, he is Chairman of the

advisory board of the Imperial College London Tanaka Business School and a Non-Executive Director of Rolls-Royce Group plc.

27. Defendant Byron Grote (“Grote”) is an Executive Director of the BP Board, and Chief Financial Officer at BP. Grote has extensive contacts with the U.S.: he is a U.S. citizen and grew up in Alaska, he earned his PhD from Cornell University in New York, and worked for The Standard Oil Company of Ohio for many years. He started at BP in 1988 as a Commercial Vice Present for BP’s Alaskan North Slope production activities. His current role involves group accountability for BP’s integrated supply and trading activities. In addition to his duties at BP, Grote is currently a Non-Executive Director of Unilever NA and Unilever plc and a member of the Cornell University Johnson Graduate School of Management Advisory Council.

28. Defendant Andy Inglis (“Inglis”) is an Executive Director of the BP Board, and Chief Executive of Exploration and Production with regional responsibility for Russia, the Caspian, the Middle East, North and West Africa, Canada, the Caribbean and South America, Indonesia and Vietnam. He joined BP in 1980, and through a series of promotions, took over for Hayward as Chief Executive of Exploration and Production on February 1, 2007. Outside of BP, he serves as a Fellow of the Royal Academy of Engineering, and as a Fellow of the Institute of Mechanical Engineers. Inglis has extensive contacts with the U.S.: he served as Vice President of the U.S. western gas business in 1999, and is currently a Non-Executive Director of BAE Systems plc, a company doing business in the U.S. through a subsidiary headquartered in Maryland.

29. Defendant Carl-Henric Svanberg (“Svanberg”), Chairman of the Board, served as a Non-Executive Director from September 1, 2009 and became the Chairman on January 1, 2010. He also serves as a Non-Executive Director of Ericsson, and is on the boards at Confederation of Swedish Enterprise, Melker Schörling AB, and the University of Uppsala. He is also a member of the Steering Committee of the Global Alliance for Information and Communication Technologies and Development. Svanberg has extensive contacts with the U.S.: he serves on the external advisory board of the Earth Institute at Columbia University in New York. He is Chairman of the Company’s chairman’s committee and the nomination committee and he also attends meetings of the remuneration committee.

30. Defendant DeAnne S. Julius (“Julius”) is a Non-Executive Director of BP. She has served in this capacity since 2001. She is also Chairman of the remuneration committee and a member of the chairman’s and nomination committees. Julius has extensive contacts with the U.S.: she is a U.S. citizen and worked for World Bank in Washington as a project economist.

31. Defendant Douglas J. Flint (“Flint”) is a Non-Executive Director of BP. He has served in this capacity since 2005. He is also Chairman of the audit committee and a member of the chairman’s and nomination committees. Flint has extensive contacts with the U.S.

32. Defendant George David (“David”) is a Non-Executive Director of BP. He has served in this capacity since 2008. In addition, he is a member of the chairman’s and the audit and remuneration committees. David has extensive contacts with the U.S.: he has worked for the Boston Consulting Group, headquartered in Massachusetts; Otis Elevator

Company, headquartered in Connecticut; and he is a former director of Citigroup, Inc., a company doing substantial business in the U.S.

33. Defendant Sir William Castell (“Castell”) is a Non-Executive Director of BP. He has served in this capacity since 2006. Further, he is BP’s senior independent director, and serves on the chairman’s and nomination committees. He is also the Chairman of the safety, ethics and environment assurance committee. In addition to his duties at BP, he was appointed as a member of the Board of Governors of the Wellcome Trust in 2006. He later became the Trust’s Chairman. Castell has extensive contacts with the U.S. He served as President and Chief Executive Officer of GE Healthcare, a company headquartered in the U.S., and he currently serves as a director of the General Electric Company, which is headquartered in New York.

34. Defendant Cynthia Carroll (“Carroll”) is a Non-Executive Director of BP. She has served in this capacity since 2007, and is also a member of two committees on the board: the chairman’s committee, and the safety, ethics and environment assurance committee. In addition to her duties at BP, she is a director of Anglo Platinum Limited and De Beers s.a. Carroll has extensive contacts with the U.S.: she has worked in the Ohio and Kentucky offices of Alcan, and the Colorado office of Amoco.

35. Defendant Ian Davis (“Davis”) is a Non-Executive Director of BP. He has served in this capacity since April 2, 2010. He is also a member of three committees: the chairman’s, the remuneration and the audit committees. In addition to his duties at BP, he is a Member of the Mayor of Beijing International Business Leaders’ Advisory Council, and is an advisory director of the King Abdullah Petroleum Studies and Research Centre. Davis

has extensive contacts with the U.S.: he currently serves as a senior partner of McKinsey & Company, a company with extensive business in the U.S. and with headquarters in New York.

36. Defendant Antony Burgmans (“Burgmans”) is a Non-Executive Director of BP. He has served in this capacity since 2004, and is also a member of the chairman’s, remuneration, and the safety, ethics and environment assurance committees. In addition to his duties at BP, he also serves as a member of the supervisory board of SHV Holdings NV. Burgmans has extensive contacts with the U.S.: he serves on the advisory boards of Akzo Nobel NV and AEGON NV, companies doing business in the U.S. either in their own names or through subsidiaries.

37. Defendant Paul Anderson (“Anderson”) is a Non-Executive Director at BP. He has served in this capacity since February 1, 2010, and is also a member of the chairman’s and safety, ethics and environment assurance committees. Anderson has extensive contacts with the U.S.: he serves as a Non-Executive Director of BAE Systems PLC, a company doing business with the U.S. through a subsidiary headquartered in Maryland; and of Spectra Energy Corp., a company doing business in the U.S. and with headquarters in Texas.

38. Defendant Ian M.G. Prosser (“Prosser”) served as Non-Executive Deputy Chairman of the BP Board from 1999 and as a director from 1997 until April 15, 2010. Prosser has extensive contacts with the U.S., including serving as a director of the Sara Lee Corporation.

39. Defendant Erroll B. Davis, Jr. (“E. Davis”) served as a Non-Executive Director of BP from 1998 when BP acquired Amoco where E. Davis served as a director until April 15, 2010.

40. Defendant John C. Mingé (“Mingé”) has served as the President of BPEX since January 2009. Prior to his current position, Mingé was president of BP Indonesia and head of BP’s Asia Pacific Unit.

41. Defendant H. Lamar McKay (“McKay”) is the Chairman and President of BP America. According to defendant McKay’s testimony before Congress, he is “BP’s lead representative in the US and [is] responsible for broad oversight and connectivity across all of [BP’s] US-based businesses.”

DUTIES OF THE BP DIRECTORS AND OFFICERS

42. Each director and officer of BP owed BP and its public shareholders the duty to exercise the highest degree of loyalty, good faith, independence and candor in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. As the Delaware Chancery Court explained recently: “Loyalty. Good faith. Independence. Candor. These are words pregnant with obligation. The Supreme Court did not adorn them with half-hearted adjectives. Directors should not take a seat at the board table prepared to offer only conditional loyalty, tolerable good faith, reasonable disinterest or formalistic candor.” *In re Tyson Foods, Inc. Consol. S’holder Litig.*, No. 1106-CC, 2007 Del. Ch. LEXIS 120, at *10-*11 (Del. Ch. Aug. 15, 2007).

43. The conduct of BP’s directors and officers complained of herein involves a knowing and culpable violation of their fiduciary obligations, the absence of good faith on

their part, and a reckless disregard for their duties to the Company and its shareholders which the directors and officers were aware or should have been aware posed a risk of serious injury to the Company. The conduct of BP's directors and officers who engaged in illegal conduct has been ratified by BP's Board, which has failed to take any action against them, despite knowledge of such actions and demands that proper remedial and preventative action be taken.

44. To discharge their fiduciary duties of loyalty, good faith, independence and candor, BP's directors and officers were required, among other things, to:

(a) in good faith, manage, conduct, supervise and direct the business and affairs of BP and its subsidiaries in accordance with the applicable safety and environmental laws, and the charter and by-laws of BP;

(b) neither violate nor knowingly permit any director, officer or employee of BP and its subsidiaries to violate applicable federal and state safety and environmental laws, rules and regulations or any rule or regulation of BP;

(c) remain informed as to the status of BP's operations, and upon receipt of notice or information of imprudent, unsound or unlawful practices, to make a reasonable inquiry in connection therewith, and to take steps to correct such conditions or stop such practices; and

(d) ensure that BP was operated in a diligent, honest and prudent manner in compliance with all applicable federal and state laws, rules and regulations.

45. By reason of their corporate positions and their ability to control the business and corporate affairs of BP, defendants were required to use their ability to control BP in a

fair, just and equitable manner, as well as to act in furtherance of the best interests of BP and its stockholders and not in furtherance of their own personal interests or ideology. In violation of their fiduciary duties, defendants caused BP to conduct its business in an unsafe, imprudent, dangerous and illegal manner.

46. Defendants participated in the wrongdoing complained of herein in order to improperly benefit themselves by pursuing their own personal ideological agendas instead of what was in the best interests of the Company, and to remain as directors and officers of a public corporation and to continue and prolong the illusion of BP's success and to conceal the adverse facts concerning BP's dismal safety and environmental records so that they could protect and perpetuate their directorial and/or executive positions and increase the substantial compensation, perks and prestige they obtained thereby. Such participation involved, among other things, planning and creating (or causing to be planned and created), proposing (or causing the proposal of) and authorizing, approving and acquiescing in the illegal conduct complained of herein.

SUBSTANTIVE ALLEGATIONS

BP Has a Long History of Health, Safety and Environmental Problems

47. BP has a long history of health, safety and environmental problems at its U.S. facilities. According to *The Houston Chronicle*, between 1995 and 2005 BP led the "U.S. refining industry in deaths" with 22 fatalities. BP's death rate was more than 10 times higher than ExxonMobil Corp., which is BP's major U.S.-based peer.

48. BP's reputation as an unsafe place to work was solidified on March 23, 2005, when BP's Texas City refinery was rocked by a massive explosion and the resulting fire

killed 15 workers and injured approximately 170 people. The Texas City refinery explosion and fire forced thousands of nearby residents to remain sheltered in their homes.

49. The U.S. CSHIB placed the blame for the Texas City refinery explosion squarely on BP, issuing a “scathing assessment of the company” and finding ““organizational and safety deficiencies at all levels of the BP Corporation’ and said management failures could be traced from Texas to London.” The U.S. CSHIB report explained that ““[w]arning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it,”” while ““[c]ost-cutting, failure to invest, and production pressures from BP Group executive managers impaired process safety performance at Texas City.””

50. As a result of the Texas City explosion, BP agreed not to contest the OSHA citations alleging more than 300 violations of 13 different OSHA standards and paid fines of \$21.3 million – at that time the largest OSHA fine in history. The Company reserved over \$1 billion to pay for personal injury claims related to the Texas City explosion, pled guilty to a felony criminal violation of the Clean Air Act and paid a \$50 million fine.

51. Yet another example of BP’s laissez-faire attitude about safety and the environment occurred on March 2, 2006, when a worker driving down a service road near a 34-inch diameter pipeline in Prudhoe Bay, Alaska noticed a two acre oil spill coming from the badly corroded pipeline. This spill occurred despite warnings from leak detection systems and, at 200,000 gallons, was the largest oil spill ever on the North Slope of Alaska.

52. On August 6, 2006, a second 1,000 gallon spill was found on another pipeline in Prudhoe Bay that was also riddled with extensive corrosion – in some places more than half of the pipeline’s original diameter had been corroded away.

53. BP’s culture of flouting safety and environmental policies in the name of profits was reaffirmed when Congressional hearings regarding these spills revealed a 2004 report by Vinson & Elkins warning BP that employees faced retaliation for reporting problems.

54. On October 25, 2007, BP pled guilty to criminal violations of the Clean Water Act in Alaska and paid \$20 million in criminal fines and restitution to the state of Alaska and the National Fish and Wildlife Foundation for the 2006 pipeline leaks of crude oil that polluted tundra and a frozen lake in Alaska.

55. BP’s health, safety and environmental failures resulted in an October 2, 2006, shareholder derivative lawsuit for intentional, reckless or negligent breach of fiduciary duty and corporate waste on behalf of BP and several of its subsidiaries (the “October 2006 Action”) against many of the same defendants as here. The October 2006 Action asserted that defendants failed to oversee BP’s international operations, especially in the United States, exposing BP to billions of dollars in fines and penalties and potential criminal liability. Plaintiffs detailed billions of dollars of harm BP allegedly suffered as a result of the 2005 explosion at BP’s Texas City refinery, the oil spill and partial shutdown of BP’s Prudhoe Bay pipeline in 2006, charges of illegal commodity trading, allegations of corporate waste in connection with the acquisition of Russian assets and the failure of BP’s Thunder Horse rig in the United States.

56. The parties agreed to settle the October 2006 Action and the Alaska State Superior Court approved the settlement and entered a Final Judgment on May 7, 2008. As part of the settlement, the Company agreed to institute certain enhancements to the environmental impact of, and safety procedures at, its operations.

Systemic Health, Safety and Environmental Problems Continue

57. Despite the settlement terms of the October 2006 Action, the culture of ignoring safety requirements and excessive risk taking at the Company remains and BP's violations have continued.

58. In another of BP's egregious and ongoing safety lapses, a 2009 OSHA report found more than 700 violations at the Texas City refinery – many concerning faulty valves, which are critical for safety in the refinery because of the high temperatures and pressures. OSHA fined BP “a record \$87.4 million, which was more than four times the previous record fine, also to BP, for the 2005 explosion” at that same refining facility.

59. The Company was also fined another \$3 million in early 2009 for “‘willful’ safety violations, including the use of valves similar to those that contributed to the Texas City blast,” at a Toledo, Ohio plant.

60. According to the Deputy Assistant Secretary of Labor for OSHA, Jordan Barab, “‘The most shocking thing is that more than four years after the [Texas City] blast, BP still had very serious problems not only in Texas City but in other refineries as well’ ‘There is a systemic safety problem across the company.’”

61. BP's Alaska operations also continue to be rife with safety and environmental violations. On January 14, 2010, the U.S. House of Representatives Committee on Energy

and Commerce sent a letter to defendant Mingé, indicating that the Committee had concerns with “[r]ecent serious safety and production incidents” involving BPEX’s Alaska operations. The letter sought documents regarding “several significant events in [BPEX’s] North Slope operations over the last 15 months,” including:

- September 29, 2008: An 8-inch high pressure gas line at the Y-Pad location “separated,” sending 3 pieces of pipe to the tundra. Two segments of the pipe measuring 14 feet and 28 feet in length landed 900 feet from the pipeline. Roughly 30 minutes later, a second and unrelated incident occurred on the S-Pad, causing a gas release.
- January 15, 2009: A disc cleaning “pig” became lodged and lost in a 34-inch Oil Transit Line during de-oiling, allowing gas to pass around the pig and travel through Skid 50 to Pump Station 1, causing a significant venting of gas to the atmosphere and the complete, temporary shutdown of the [Trans-Alaska Pipeline System].
- October 10, 2009: At the Central Compressor Plant, low pressure flare staging valves stuck closed, causing gas to travel to the backup low pressure flare valves, which activated and caused gas to vent improperly to the atmosphere. This incident could have caused an explosion. In a briefing, you reported to Committee staff that the pilot on the backup flare was not lit and that cameras, while on, were not pointed at the flare location, which prevented BP staff from knowing the pilot was out.
- November 29, 2009: An 18-inch pipe near the Lisburne Production Center that was carrying a mixture of crude oil, produced water, and natural gas ruptured, spraying its contents over an estimated 8,400 square feet area.

62. Additionally, the Committee letter noted a “number of personnel incidents involving serious injury or death, including two within three weeks of each other in which individuals were crushed by their own vehicles,” and an incident at Prudhoe Bay’s North Gas Injection Pad on November 18, 2009 that “resulted in the death of a BP contract employee.”

63. Worse yet, BP faces yet another criminal investigation by the EPA and the Alaska DEC because of the November 29, 2009 North Slope oil spill noted in the Committee's letter.

Tragedy Aboard the Deepwater Horizon

64. At approximately 10 p.m. central time on April 20, 2010, a fire broke out aboard the Deepwater Horizon, a massive oil rig situated off the Gulf Coast, "thrust[ing] a geyser of flames and smoke into the sky about 50 miles off the coast of Louisiana." Transocean Ltd. ("Transocean") owned and operated the Deepwater Horizon for BP's purposes – namely, drilling into a large oil reservoir deep under the surface of the ocean. Unlike an oil rig that is anchored to the ocean floor, the Deepwater Horizon was a "so-called semi-submersible . . . a nearly 400-foot-long floating platform that uses thrusters to hold it in place above a well." The explosion and resulting fire left 11 people dead and 17 wounded.

65. After two days of intense fire, the Deepwater Horizon sank into the Gulf of Mexico. The destruction of the Deepwater Horizon removed any impediment to oil flowing from the borehole into the Gulf of Mexico. Initial estimates were that up to 1,000 barrels of oil per day were leaking into the water, but according to *The Washington Post* the actual amount of oil could be up to 5,000 barrels a day or 210,000 gallons per day – five times BP's initial estimate.

66. The disaster grew exponentially. By May 1, 2010, the *Los Angeles Times* reported that the oil slick had reached the Louisiana shoreline. By May 2, 2010, the oil slick was almost three times the size of Puerto Rico. And in a huge blow to local fisherman, *The Wall Street Journal* reported on May 3, 2010 that NOAA closed commercial and recreational

fishing from Louisiana to parts of the Florida Panhandle for at least 10 days in response to the spill. President Obama warned that this spill could be a “potentially unprecedented environmental disaster.”

67. The epic proportions of the Deepwater Horizon disaster were further illustrated when U.S. Interior Secretary Ken Salazar indicated that this disaster could turn out to be worse than the Exxon Valdez oil spill in Alaska. The 1989 Exxon Valdez spill totaled 11 million gallons; however, “[i]ndustry experts . . . said that based on satellite images and standard measuring indexes, *the [Deepwater Horizon] spill rate was an estimated 20,000 to 25,000 barrels a day.*” Those numbers translate to 840,000 to 1,050,000 gallons a day. And unlike the Exxon Valdez spill, the oil from the Deepwater Horizon spill comes from an underground reservoir, “the gusher is, for practical purposes, potentially endless. It won’t stop flowing until the underwater leak is capped,” which could take approximately 90 days. Thus, “[i]f the 25,000 barrel-a-day estimate is accurate and the leak lasts for 90 days, that would total 2.25 million barrels, or 94.5 million gallons.” That estimate means that this disaster could be almost nine times worse than the Exxon Valdez spill. In fact, according to the *Los Angeles Times*, this disaster’s severity is unprecedented:

The oil spill in the Gulf of Mexico presents BP Exploration and Production with a problem of unprecedented severity – a limitless gush in very deep waters – forcing the London-based company to grasp for fixes that have never been tried before.

The problem with the April 20 spill is that it isn’t really a spill: It’s a gush, like an underwater oil volcano. A hot column of oil and gas is spurting into freezing black waters nearly a mile down, where the pressure nears a ton per inch – impossible for divers to endure. Experts call it a continuous, round-the-clock calamity, unlike a leaking tanker, which might empty in hours or days.

“Everything about it is unprecedented,” said geochemist Christopher Reddy, an oil-spill expert and head of the Coastal Ocean Institute at the Woods Hole Oceanographic Institution in Massachusetts. “All our knowledge is based on a one-shot event With this, we don’t know when it’s going to stop.”

Accidents have occurred before in which oil has gushed from damaged wells, he said. But he knew of none in water so deep.

68. BP’s inept response to the Deepwater Horizon debacle revealed just how far the Company’s “false sense of confidence” about safety and its inability to make sure that “adequate resources were effectively allocated’ to safety issues” went. In fact, BP did not even attempt to plan any response to a disaster such as this.

69. Just last year, BP told the government that a spill or leak was “unlikely” ever to result from the operations of the Deepwater Horizon:

BP’s own exploration plan, submitted to federal regulators in February 2009, minimized the danger of a spill. The company said “it is unlikely that an accidental oil spill release would occur from the proposed activities.” While it acknowledged that a spill could “cause impacts to wetlands” and to beaches, it added that “due to the distance to shore (48 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected.” It said any effects on fish or shellfish would be “sub-lethal.”

Coast Guard Commandant Thad Allen said in an interview Friday that *the company’s plans for responding to oil spills did not address the complete failure of equipment on the seafloor designed to prevent a blowout of the sort that took place on the massive drilling rig.*

70. While BP did not plan for a breakdown of its platform, much less its safety equipment, the risk of its malfunction and the resulting consequences is not an unforeseeable accident. BP’s failure to provide for such an occurrence reflects a lack of concern for environmental and safety precautions:

“From the mid-’80s, it is the same thing,” said Lois Epstein, an Alaska-based engineering and policy consultant to nonprofit conservation organizations. “At the time of the Valdez spill, we were utilizing booming and dispersants and controlled burns – the same three major techniques as now.”

The reason little has changed, said Byron W. King, an energy analyst at Agora Financial, is a “failure of imagination.”

“The industry says it never had a blowout,” he said, and as a result the oil “industry is not going to spend good money on problems that it says aren’t there.” *But King said that “you need new technology to deal with the problems that your other new technology got you.”* And he said that the federal government, instead of just collecting its royalties, should have made sure that research took place.

71. Since BP failed to account for the risk of such a large spill, BP only began grasping at solutions to fix the problem *after* the disaster happened. As a result, BP’s efforts at cleanup have been ineffective and costly; worse, some of their “solutions” are dangerous in their own right, or take too much time to implement while the spill grows exponentially larger.

72. Indeed, the worst case scenario appears to have happened and BP does not have any short-term solution to stop the oil. The Company’s efforts to close a so-called “blow out preventer” have been fruitless. Similarly, BP attempted to lower a giant dome over the wellhead and redirect leaking oil to the surface where it would be collected and processed. This effort too has failed as a buildup of hydrocarbons in the dome have rendered it buoyant and it cannot be lowered onto the leaking wellhead.

73. Thus far it appears that the only mechanism to stop the leaking oil will involve drilling another hole in an attempt to intercept the leaking well 13,000 feet below the seabed and inject dense fluids into the well to block the flow. This method presents the only real

way to shut off the flow of oil but is extremely tricky – BP will have to drill miles into the sea floor and intersect the existing well which is a mere seven inches wide – and even if this method is successful, it will likely take several months.

74. In the meantime, oil is still gushing out of BP’s well at 210,000 gallons per day.

75. On May 16, 2010, the television program *60 Minutes* ran a story called “Blowout: The Deepwater Horizon Disaster.” The story included an interview by correspondent Scott Pelley with Mike Williams, the chief electronics technician in charge of the rig’s computers and electrical systems who worked for Transocean – one of the last crewmembers to escape the inferno. Portions of that interview are set forth below:

[Williams] says the destruction of the Deepwater Horizon had been building for weeks in a series of mishaps. The night of the disaster, he was in his workshop when he heard the rig’s engines suddenly run wild. That was the moment that explosive gas was shooting across the decks, being sucked into the engines that powered the rig’s generators.

* * *

Deepwater Horizon was in 5,000 feet of water and would drill another 13,000 feet, a total of three miles. The oil and gas down there are under enormous pressure. And the key to keeping that pressure under control is this fluid that drillers call “mud.”

“Mud” is a manmade drilling fluid that’s pumped down the well and back up the sides in continuous circulation. The sheer weight of this fluid keeps the oil and gas down and the well under control.

The tension in every drilling operation is between doing things safely and doing them fast; time is money and this job was costing BP a million dollars a day. But Williams says there was trouble from the start – getting to the oil was taking too long.

Williams said they were told it would take 21 days; according to him, it actually took six weeks.

With the schedule slipping, Williams says a BP manager ordered a faster pace.

“And he requested to the driller, ‘Hey, let’s bump it up. Let’s bump it up.’ And what he was talking about there is he’s bumping up the rate of penetration. How fast the drill bit is going down,” Williams said.

Williams says going faster caused the bottom of the well to split open, swallowing tools and that drilling fluid called “mud.”

“We actually got stuck. And we got stuck so bad we had to send tools down into the drill pipe and sever the pipe,” Williams explained.

That well was abandoned and Deepwater Horizon had to drill a new route to the oil. It cost BP more than two weeks and millions of dollars.

“We were informed of this during one of the safety meetings, that somewhere in the neighborhood of \$25 million was lost in bottom hole assembly and ‘mud.’ And you always kind of knew that in the back of your mind when they start throwing these big numbers around that there was gonna be a push coming, you know? A push to pick up production and pick up the pace,” Williams said.

Asked if there was pressure on the crew after this happened, Williams told Pelley, “There’s always pressure, but yes, the pressure was increased.”

But the trouble was just beginning: when drilling resumed, Williams says there was an accident on the rig that has not been reported before. He says, four weeks before the explosion, the rig’s most vital piece of safety equipment was damaged.

Down near the seabed is the blowout preventer, or BOP. It’s used to seal the well shut in order to test the pressure and integrity of the well, and, in case of a blowout, it’s the crew’s only hope. A key component is a rubber gasket at the top called an “annular,” which can close tightly around the drill pipe.

Williams says, during a test, they closed the gasket. But while it was shut tight, a crewman on deck accidentally nudged a joystick, applying hundreds of thousands of pounds of force, and moving 15 feet of drill pipe

through the closed blowout preventer. Later, a man monitoring drilling fluid rising to the top made a troubling find.

“He discovered chunks of rubber in the drilling fluid. He thought it was important enough to gather this double handful of chunks of rubber and bring them into the driller shack. I recall asking the supervisor if this was out of the ordinary. And he says, ‘Oh, it’s no big deal.’ And I thought, ‘How can it be not a big deal? There’s chunks of our seal is now missing,’” Williams told Pelley.

And, Williams says, he knew about another problem with the blowout preventer.

The BOP is operated from the surface by wires connected to two control pods; one is a back-up. Williams says one pod lost some of its function weeks before.

Transocean tells us the BOP was tested by remote control after these incidents and passed. But nearly a mile below, there was no way to know how much damage there was or whether the pod was unreliable.

In the hours before the disaster, Deepwater Horizon’s work was nearly done. All that was left was to seal the well closed. The oil would be pumped out by another rig later. Williams says, that during a safety meeting, the manager for the rig owner, Transocean, was explaining how they were going to close the well when the manager from BP interrupted.

“I had the BP company man sitting directly beside me. And he literally perked up and said ‘Well my process is different. And I think we’re gonna do it this way.’ And they kind of lined out how he thought it should go that day. So there was short [sic] of a chest-bumping kind of deal. The communication seemed to break down as to who was ultimately in charge,” Williams said.

On the day of the accident, several BP managers were on the Deepwater Horizon for a ceremony to congratulate the crew for seven years without an injury. While they where [sic] there, a surge of explosive gas came flying up the well from three miles below. The rig’s diesel engines which power its electric generators sucked in the gas and began to run wild.

“I’m hearing hissing. Engines are over-revving. And then all of a sudden, all the lights in my shop just started getting brighter and brighter and brighter. And I knew then something bad was getting ready to happen,” Williams told Pelley.

* * *

On the rig, Mike Williams was reaching for a door to investigate the engine noise.

“These are three inch thick, steel, fire-rated doors with six stainless steel hinges supporting ‘em on the frame. As I reach for the handle, I heard this awful hissing noise, this whoosh. And at the height of the hiss, a huge explosion. The explosion literally rips the door from the hinges, hits, impacts me and takes me to the other side of the shop. And I’m up against a wall, when I finally come around, with a door on top of me. And I remember thinking to myself, ‘You know, this, this is it. I’m gonna die right here,’” Williams remembered.

* * *

“I began to crawl across the floor. As I got to the next door, it exploded. And took me, the door, and slid me about 35 feet backwards again. And planted me up against another wall. At that point, I actually got angry. I was mad at the doors. I was mad that these fire doors that are supposed to protect me are hurting me. And at that point, I made a decision. ‘I’m going to get outside. I may die out there, but I’m gonna get outside.’ So I crawl across the grid work of the floor and make my way to that opening, where I see the light. I made it out the door and I thought to myself, ‘I’ve accomplished what I set out to accomplish. I made it outside. At least now I can breathe. I may die out here, but I can breathe,’” Williams said.

Williams couldn’t see; something was pouring into his eyes and that’s when he noticed a gash in his forehead.

* * *

Williams says that, on the bridge, he watched them try to activate emergency systems. “The BOP that was supposed to protect us and keep us from the blowout obviously had failed. And now, the emergency disconnect to get us away from this fuel source has failed. We have no communications to the BOP,” he explained.

“And I see one of the lifeboats in the water, and it’s motoring away from the vessel. I looked at the captain and asked him. I said, ‘What’s going on?’ He said, ‘I’ve given the order to abandon ship,’” Williams said.

Every Sunday they had practiced lifeboat drills and the procedure for making sure everyone was accounted for. But in the panic all that went to hell. The lifeboats were leaving.

“They’re leaving without you?” Pelley asked.

“They have left, without the captain and without knowing that they had everyone that had survived all this onboard. I’ve been left now by two lifeboats. And I look at the captain and I said, ‘What do we do now? By now, the fire is not only on the derrick, it’s starting to spread to the deck. At that point, there were several more explosions, large, intense explosions,” Williams said.

* * *

About eight survivors were left on the rig. They dropped an inflatable raft from a crane, but with only a few survivors on the raft, it was launched, leaving Williams, another man, and a crewwoman named Andrea.

“I remember looking at Andrea and seeing that look in her eyes. She had quit. She had given up. I remember her saying, ‘I’m scared.’ And I said, ‘It’s okay to be scared. I’m scared too.’ She said, ‘What are we gonna do?’ I said, ‘We’re gonna burn up. Or we’re gonna jump,’” Williams remembered.

Williams estimates it was a 90-100 foot jump down.

In the middle of the night, with blood in his eyes, fire at his back and the sea ten stories below, Williams made his choice.

“I remember closing my eyes and sayin’ a prayer, and asking God to tell my wife and my little girl that Daddy did everything he could and if, if I survive this, it’s for a reason. I made those three steps, and I pushed off the end of the rig. And I fell for what seemed like forever. A lotta things go through your mind,” he remembered.

With a lifejacket, Williams jumped feet first off the deck and away from the inferno. He had witnessed key events before the disaster. But if he was going to tell anyone, he would have to survive a ten-story drop into the sea.

76. *60 Minutes* commented that “Williams’ survival may be critical to the investigation. We took his story to Dr. Bob Bea, a professor of engineering at the University of California, Berkeley.” Set forth below is their interview with Dr. Bea:

Last week, the White House asked Bea to help analyze the Deepwater Horizon accident. Bea investigated the Columbia Space Shuttle disaster for NASA and the Hurricane Katrina disaster for the National Science Foundation. Bea’s voice never completely recovered from the weeks he spent in the flood in New Orleans. But as the White House found, he’s among the nation’s best, having investigated more than 20 offshore rig disasters.

“Mr. Williams comes forward with these very detailed elements from his viewpoint on a rig. That’s a brave and intelligent man,” Bea told Pelley.

“What he’s saying is very important to this investigation, you believe?” Pelley asked.

“It is,” the professor replied.

What strikes Bea is Williams’ description of the blowout preventer. Williams says in a drilling accident four weeks before the explosion, the critical rubber gasket, called an “annular,” was damaged and pieces of it started coming out of the well.

“According to Williams, when parts of the annular start coming up on the deck someone from Transocean says, ‘Look, don’t worry about it.’ What does that tell you?” Pelley asked.

“Houston we have a problem,” Bea replied.

Here’s why that’s so important: the annular is used to seal the well for pressure tests. And those tests determine whether dangerous gas is seeping in.

“So if the annular is damaged, if I understand you correctly, you can’t do the pressure tests in a reliable way?” Pelley asked.

“That’s correct. You may get pressure test recordings, but because you’re leaking pressure, they are not reliable,” Bea explained.

Williams also told us that a backup control system to the blowout preventer called a pod had lost some of its functions.

“What is the standard operating procedure if you lose one of the control pods?” Pelley asked.

“Reestablish it, fix it. It’s like losing one of your legs,” Bea said.

“The morning of the disaster, according to Williams, there was an argument in front of all the men on the ship between the Transocean manager and the BP manager. Do you know what that argument is about?” Pelley asked.

Bea replied, “Yes,” telling Pelley the argument was about who was the boss.

In finishing the well, the plan was to have a subcontractor, Halliburton, place three concrete plugs, like corks, in the column. The Transocean manager wanted to do this with the column full of heavy drilling fluid – what drillers call “mud” – to keep the pressure down below contained. But the BP manager wanted to begin to remove the “mud” before the last plug was set. That would reduce the pressure controlling the well before the plugs were finished.

Asked why BP would do that, Bea told Pelley, “It expedites the subsequent steps.”

“It’s a matter of going faster,” Pelley remarked.

“Faster, sure,” Bea replied.

Bea said BP had won that argument.

“If the ‘mud’ had been left in the column, would there have been a blowout?” Pelley asked.

“It doesn’t look like it,” Bea replied.

To do it BP’s way, they had to be absolutely certain that the first two plugs were keeping the pressure down. That life or death test was done using the blowout preventer which Mike Williams says had a damaged gasket.

Investigators have also found the BOP had a hydraulic leak and a weak battery.

“Weeks before the disaster they know they are drilling in a dangerous formation, the formation has told them that,” Pelley remarked.

“Correct,” Bea replied.

“And has cost them millions of dollars. And the blowout preventer is broken in a number of ways,” Pelley remarked.

“Correct,” Bea replied.

Asked what would be the right thing to do at that point, Bea said, “I express it to my students this way, ‘Stop, think, don’t do something stupid.’”

They didn’t stop. As the drilling fluid was removed, downward pressure was relieved; the bottom plug failed. The blowout preventer didn’t work. And 11 men were incinerated; 115 crewmembers survived.

And two days later, the Deepwater Horizon sank to the bottom.

This was just the latest disaster for a company that is the largest oil producer in the United States. BP, once known as British Petroleum, was found willfully negligent in a 2005 Texas refinery explosion that killed of its 15 workers. BP was hit with \$108 million in fines – the highest workplace safety fines in U.S. history.

77. The *60 Minutes* story continued with the concern by a former BP insider about another BP facility in the Gulf, the platform “Atlantis”:

Ken Abbott has worked for Shell and GE. And in 2008 he was hired by BP to manage thousands of engineering drawings for the Atlantis platform.

They serve as blueprints and also as a operator manual, if you will, on how to make this work, and more importantly how to shut it down in an emergency,” Abbott explained.

But he says he found that 89 percent of those critical drawings had not been inspected and approved by BP engineers. Even worse, he says 95 percent of the underwater welding plans had never been approved either.

“Are these welding procedures supposed to be approved in the paperwork before the welds are done?” Pelley asked.

“Absolutely. Yeah,” Abbott replied. “They’re critical.”

Abbott’s charges are backed up by BP internal e-mails. In 2008, BP manager Barry Duff wrote that the lack of approved drawings could result in

“catastrophic operator errors,” and “currently there are hundreds if not thousands of Subsea documents that have never been finalized.”

Duff called the practice “fundamentally wrong.”

“I’ve never seen this kind of attitude, where safety doesn’t seem to matter and when you complain of a problem like Barry did and like I did and try to fix it, you’re just criticized and pushed aside,” Abbott said.

Abbott was laid off. He took his concerns to a consumer advocacy group called Food & Water Watch. They’re asking Congress to investigate. And he is filing suit in an attempt to force the federal government to shut down Atlantis.

“The Atlantis is still pumping away out there – 200,000 barrels a day, and it will be four times that in a year or two when they put in all 16 wells. If something happens there, it will make the Deepwater Horizon look like a bubble in the water by comparison,” Abbott said.

In an e-mail, BP told us the Atlantis crew has all the documents it needs to run the platform safely. We also wanted BP’s perspective on the Deepwater Horizon disaster.

78. *60 Minutes* concluded its story as follows:

The company scheduled an interview with its CEO, Tony Hayward. Then, they cancelled, saying no one at BP could sit down with “60 Minutes” for this report.

In other interviews, Hayward says this about Transocean, the owner of the Deepwater Horizon: “The responsibility for safety on the drilling rig is with Transocean. It is their rig, their equipment, their people, their systems, their safety processes.”

“When BP’s chief executive Tony Hayward says, ‘This is Transocean’s accident,’ what do you say?” Pelley asked Professor Bea.

“I get sick. This kind of division in the industry is a killer. The industry is comprised of many organizations. And they all share the responsibility for successful operations. And to start placing, we’ll call it these barriers, and pointing fingers at each other, is totally destructive,” he replied.

Asked who is responsible for the Deepwater Horizon accident, Bea said, “BP.”

We went out on the Gulf and found mats of thick floating oil. No one has a fix on how much oil is shooting out of the well. But some of the best estimates suggest it’s the equivalent of the Exxon Valdez spill every four to seven days. Scientists are now reporting vast plumes of oil up to ten miles long under the surface.

The spill has cost BP about \$500 million so far. But consider, in just the first three months this year, BP made profits of \$6 billion.

There are plenty of accusations to go around that BP pressed for speed, Halliburton’s cement plugs failed, and Transocean damaged the blowout preventer.

Through all the red flags, they pressed ahead. It was, after all, the Deepwater Horizon, the world record holder, celebrated as among the safest in the fleet.

“Men lost their lives,” survivor Mike Williams told Pelley. “I don’t know how else to say it. All the things that they told us could never happen happened.”

The Harm to Human Life and the Environment

79. BP’s failure to plan for an oil leak such as this may now result in the destruction, via oil, of thousands of miles of coastline, marine sanctuaries, and productive fisheries.

80. The oil began to come ashore in Louisiana in early May. The full cost and effect of this disaster is impossible to determine, but it is clear that it will be far-reaching and will span decades.

81. As a point of comparison, oil from the Exxon Valdez spill still lingers on some beaches more than 20 years later. The toll on local animal life in that spill was enormous: “250,000 seabirds, 2,800 sea otters, 300 harbor seals, 250 bald eagles, [and] up to 22 killer

whales died along with billions of salmon and herring eggs.” The Pacific Herring species of fish in Alaska never recovered.

82. Experts are likewise expressing concerns for human and environmental well-being in the Gulf Coast. Ralph Portier, a professor at Louisiana State University who teaches aquatic marine toxicology, warned that if the oil reaches the shore, it “might still have serious consequences, tainting shrimp, oysters, fish and crabs in the short run, and disrupting breeding to create more long-term problems. ‘What if the entire wetlands is compromised over the next five months?’ he said. ‘It’s going to shut down lifestyles. It’s going to shut down fisheries. It’s going to shut down businesses.’” The concerns over the environmental impact in this region are real and immediate:

The BP oil spill in the Gulf of Mexico has the potential to destroy the most productive fishery in the world, according to Mobile Baykeeper, the largest environmental advocate in the Gulf Coast. At the same time, Mobile Baykeeper is calling on the government to demand transparency, monitoring and caution in implementing crisis clean-up solutions that could make the situation worse, such as controlled burns and chemical dispersants.

The region that spans from the Mobile Bay Estuary all the way to Galveston Bay is the most productive fishery in the world, with 69% of all domestic shrimp and 70% of all domestic oysters at stake. As it becomes clear that the BP spill may exceed the Exxon Valdez Oil Spill, Mobile Baykeeper, an Alabama-based organization that works across the Gulf coast and a member of Waterkeeper Alliance, is calling on the government to put all available state and national resources to work to contain the damage before it’s too late.

* * *

The Gulf of Mexico and its surrounding bays, inlets and estuaries are some of the most fertile breeding grounds in the world, with its U.S. coastline reaching from Florida to Texas. It is a highly productive economic region with industries related to fishing, agriculture and tourism, all of which could be affected by this disaster. The marshlands and estuaries located throughout the Gulf Coast provide important breeding grounds and nurseries for the

fishing and shrimping industries. In 2008, according to the National Marine Fisheries Service, the commercial fish and shellfish harvest from the five U.S. Gulf states was estimated to be 1.3 billion pounds valued at \$661 million. As of 2004, seven of the top ten busiest ports in the United States were located along the Gulf Coast as well. The discovery of oil and gas deposits along the coast and offshore has made it the heart of the U.S. petrochemical industry, with nearly 4000 oil platforms.

In addition:

The Gulf of Mexico is the sixth largest economy in the world. Area Business and jobs related to tourism equal \$20 billion annually. 52% of all crude oil and 54% of the nation's gas are produced in the Gulf. It produces \$29 billion dollars annually in agricultural crops and livestock.

83. However, it is the toll this disaster will undoubtedly take on human life that may be the most extreme. The oil threatens the livelihood of those relying on the \$2 billion seafood industry in the area. A major hit on the seafood industry will seriously affect local fisherman and food supplies nationwide – this area produces *a full quarter* of the total seafood consumed in this country. According to Rep. Charlie Melancon, “[e]very American is going to feel this if it gets as bad as they say it might.” Beyond the commercial seafood harvest, recreational fishing generates \$757 million and nearly 8,000 jobs in this area. Tourism related to wildlife generates \$517 million.

84. Shipping along the Mississippi River may also be affected:

Ships carrying food, oil, rubber and much more come through the Southwest Pass to enter the vital waterway.

Shipment delays – either because oil-splattered ships need to be cleaned off at sea before docking or because water lanes are shut down for a time – would raise the cost of transporting those goods.

“We saw that during Hurricane Katrina for a period of time – we saw some prices go up for food and other goods because they couldn’t move some

fruit down the shipping channels and it got spoiled,” PFGBest analyst Phil Flynn said.

85. And this spill could not have come at a worse time to the already ravaged Gulf Coast still recovering from Hurricane Katrina. According to *The Washington Post*:

It remained unclear Monday how much damage those industries will incur from the oil spill, and how long that damage will last. The research group estimates that \$1.6 billion in annual economic activity is tied to the wetlands directly exposed to the spill.

“The question is if the marshes are impacted and how long they will be impacted,” said David Yoskowitz, an economist at the institute. “It’s all kind of up in the air right now until we really start to see the oil coming to shore and see what happens. There is no doubt that there will be some economic impact.”

If economic activity were reduced by only a few billion dollars, it would be damaging for the regional economies of Louisiana, Mississippi and Alabama, but would be a drop in the bucket of the \$14 trillion U.S. economy.

But some analysts see the potential for even more dire outcomes. David R. Kotok, chief investment officer of Cumberland Advisors, laid out scenarios in a note to clients that range from damages in the tens of billions of dollars and years of cleanup to a cost in the hundreds of billions of dollars that leaves the gulf as a “damaged sea” for a generation.

The spill, he said, has made the likelihood of a dip back into recession higher than it had been. “A ‘double-dip’ recession probably has been made more likely by this tragedy,” Kotok wrote.

As President Obama put it, “The oil that is still leaking from the well could seriously damage the economy and the environment of our gulf states and it could extend for a long time’ ‘It could jeopardize the livelihoods of thousands of Americans who call this place home.’”

BP Lobbied Against More Stringent Safety Standards

86. Despite BP's appalling historical health, safety and environmental record, the Company continued to lobby against stricter safety rules proposed by the U.S. Minerals Management Service ("MMS") in 2009. After the Deepwater Horizon sank, documents surfaced detailing the extent to which BP was fighting any additional safety requirements for its production operations. According to *The Wall Street Journal*:

As BP touted the scale of the cleanup, documents showed that it was one of several companies that opposed efforts to tighten up safety procedures offshore. Last year, the MMS studied more than 1,400 offshore incidents that led to 41 deaths and hundreds of injuries between 2001 and 2007. Many of them, the MMS found, were linked to factors such as communications failures, a lack of written procedures and the failure of supervisors to enforce existing rules, and proposed mandatory requirements to reduce the number of incidents. That would have replaced a system under which many safety procedures were voluntary.

The rules BP fought would have required companies to, among other things, identify potential hazards at all facilities and adopt written operating procedures.

87. Similarly, by the end of April, BP faced a federal probe to determine whether it illegally cut safety corners in its production of the Atlantis, another offshore production platform, in an effort to rush completion of the project. In a February 24, 2010 letter, 19 U.S. Representatives asked the MMS to investigate whistleblower allegations that BP "rushed into production by skipping or skimping required engineering inspections, putting profits ahead of the need to protect workers from accidents and the environment from potentially catastrophic oil spills, according to allegations sent to regulators."

88. According to the whistleblower, BP failed to keep key deepwater production platform documents for Atlantis, which act as an operator's manual. These documents are

vital to the proper shut down of the platform in the case of an emergency. According to *The Guardian (London)*:

A whistleblower employed by a contractor working for BP leaked internal emails from staffers dated August 2008 which appear to reveal concerns that BP may not have been keeping a complete accurate record of drawings of the components used to build the Atlantis platform.

Final “as-built” drawings show how generic parts are modified when they are assembled. They can be crucial to assess how such a complex structure operates in practice. It is federal law for rig operators to keep complete, up-to-date “as-built” drawings.

89. *The Houston Chronicle* reported that safety expert and engineering consultant Mike Sawyer prepared an independent evaluation of BP’s Atlantis subsea database and concluded that “they were ‘incomplete or unapproved’ by engineers even after Atlantis began production.” According to the article, Mr. Sawyer said he “fears the company is demonstrating the same attitude to safety offshore – and willingness to circumvent safety practices – that experts and government investigators found in its refinery operations after 15 people were killed and scores seriously injured in 2005,” and that “[t]his failure to adhere to established process safety practice has been cultural within BP’ ‘We found this same type of issues with BP Texas City.’”

90. BP also lobbied against a requirement that offshore oil rigs be required to use a second failsafe, which could prevent an explosion when the initial failsafe blow out preventer failed to operate properly. The device, called an “acoustic switch,” is a football-sized remote controlled device capable of shutting down the underwater well valve using sound waves to communicate to the valve on the sea floor, even if the oil rig itself is

damaged or evacuated. This device is intended as a last resort, when other failsafe methods have failed.

91. BP did not invest in this \$500,000 device on the Deepwater Horizon and, instead, chose to risk the consequences.

DAMAGES TO BP AND TO ITS SHAREHOLDERS

92. BP and its business, goodwill and reputation have been severely injured, if not irreparably damaged, by defendants' reckless disdain for, and disregard of, legal compliance, including with safety and environmental laws. The Company and its safety record are now the targets of several investigations being conducted by state and federal authorities. Ongoing Congressional hearings into the Deepwater Horizon explosion are bringing even more attention to, and scrutiny of, BP's history of flouting safety laws and disregarding environmental safeguards.

93. BP alone is incurring costs of \$6 million per day to attempt to stop the oil leak and remediate the effects of the spill. The total estimated impact to BP is in the tens of billions of dollars.

94. Pursuant to the Oil Pollution Act of 1990, the federal government has assigned responsibility for the cleanup to BP. The Act provides for the recovery, among other things, of "[d]amages equal to the loss of profits or impairment of earning capacity due to the injury, destruction, or loss of real property, personal property, or natural resources, which shall be recoverable by any claimant."

95. Although liability under federal law is capped under the Act at \$75 million, legislation is moving through Congress as this Complaint is finalized that would raise the

liability cap to \$10 billion and make that change retroactive – *i.e.*, fully applicable to BP with respect to the Deepwater Horizon leak.

96. Moreover, even before legislative efforts were initiated to raise the cap, defendant Hayward – in an implicit admission of liability – announced that BP would voluntarily pay in excess of the liability cap imposed by the Act to remediate the problem.

97. BP is also exposed to statutory liability pursuant to the Louisiana Oil Spill Prevention and Response Act (“LOSPRA”). Pursuant to LOSPRA, the party responsible for an oil spill is liable for up to \$350 million in damages arising from the discharge, and must pay all pollution removal costs and damages, regardless of any defenses it may assert.

98. In addition to statutory liability, dozens of lawsuits, including class actions, have been filed, which will expose BP to hundreds of millions, if not billions, of dollars in additional liability to private parties, including families of the workers, environmental groups, commercial fishermen, and property owners along the Louisiana, Mississippi, Alabama, and Florida coasts.

99. Perhaps the greatest damage from defendants’ misconduct will be to BP’s reputation and good will. Indeed, as *The New York Times* reported on April 30, 2010:

[R]egardless of the out-of-pocket costs, the long-term damage to BP’s reputation – and possibly, its future prospects for drilling in the Gulf of Mexico – is likely to be far higher, according to industry analysts.

The magnitude of the Deepwater Horizon disaster seems to be finally sinking in with investors. BP’s stock plunged more than 8 percent Thursday in American trading in an otherwise strong day for stocks. Since the accident, the American depository receipts of the company have fallen about 13 percent, closing Thursday at \$52.56.

For Tony Hayward, who has led BP for the last three years, the accident threatens to overshadow all the efforts he has made to burnish the tattered reputation of the company after a refinery explosion in Texas in 2005 and a pipeline leak in Alaska in 2006.

As Mr. Hayward said to fellow executives in his London office recently, “What the hell did we do to deserve this?”

A BP spokesman said no executives were available for an interview Thursday. But in response to a written question, Mr. Hayward said, “Reputationally, and in every other way, we will be judged by the quality, intensity, speed and efficacy of our response.”

DERIVATIVE ALLEGATIONS

100. Plaintiff incorporates ¶¶1-99.

101. Plaintiff brings this action derivatively in the right of and for the benefit of BP to redress injuries suffered and to be suffered by BP. BP is named as a nominal party solely in a derivative capacity.

102. In bringing this action, plaintiff has satisfied all statutory procedural requirements of Alaska law. First, plaintiff has standing to bring this action as a shareholder and/or beneficial owner of BP p.l.c. Second, plaintiff will fairly and adequately represent the interests of the Company in enforcing the rights of the Company, as detailed herein. Third, this action is not being used by plaintiff to gain any personal advantage, nor does plaintiff maintain any personal agenda other than seeking to correct the wrong that has been done to the Company. To this end, plaintiff has taken steps to file this action and has retained counsel experienced in derivative litigation and corporate governance actions. To the extent Court permission is required to continue this action, such permission is hereby sought.

103. This action was commenced in May 2010 and, at that time, the BP p.l.c. Board consisted of the following individuals: Svanberg (Chairman), Hayward (Group Chief Executive), Conn (Chief Executive, Refining and Marketing), Dudley (Managing Director), Grote (Chief Financial Officer), Inglis (Chief Executive, Exploration and Production), Anderson, Burgmans, Carroll, Castell, David, Davis, Flint and Julius (the “Director Defendants”).

104. As of the date of this complaint, BP has not taken any action to pursue the claims herein. Moreover, BP has not pursued any claims against Transocean, Ltd., Transocean Deepwater, Inc., Transocean Offshore Deepwater Drilling, Inc., and Halliburton Energy Services, Inc., who were working on the Deepwater Horizon under BP’s direction at the time of the explosion. The Director Defendants’ failure to pursue these claims is especially egregious considering the news that Transocean has petitioned a U.S. federal court to limit its liability in this epic disaster to only \$27 million.

105. Any decision by the BP Board not to pursue the claims identified herein should not be entitled to deference. BP cannot act except through its Board of Directors, and the Board, all of whose members have been named as defendants herein, could not and would not objectively determine whether bringing these claims were in the best interests of the Company and its shareholders.

106. Pursuant to Alaska Stat. § 10.06.435 and otherwise, plaintiff was not required to make a demand upon the Company to take the action requested herein because any such demand would be futile as the current BP board could not exercise independent objective

judgment in deciding whether to bring this action or whether to vigorously prosecute this action, as detailed herein.

107. The acts and decisions of the BP Board constitute a breach of the Director Defendants' fiduciary duties of care, oversight, good faith, candor, and loyalty. These decisions were not, and could not have been, the product of the Board's good faith, informed business judgment. As such, and for this separate and independent ground alone, demand on the Board to bring these claims on the Company's behalf would be a futile gesture.

108. The Director Defendants face a substantial threat of liability for their breaches of fiduciary duty set forth herein. Indeed, the various committees of the Board were specifically tasked with control and oversight over the very conduct that went so fatally awry at BP. Each of these defendants sat on at least one – and in most cases, several – of the Board's committees during the relevant period that had direct responsibility for ensuring various aspects of the Company's operations. Each of the committees was charged with making regular reports to the Board of Directors.

109. The members of BP's safety, ethics and environment assurance committee ("SEEAC") were charged, among other things, with: (a) reviewing "the processes adopted by the executive management to identify and mitigate significant non-financial risks and receive assurance that they are appropriate in design and effective in implementation"; (b) "[m]onitoring and obtaining assurance that the management or mitigation of significant BP risks of a non-financial nature is appropriately addressed"; (c) "[r]eviewing material to be placed before shareholders which address BP's environmental, safety and ethical performance and making recommendations to the board about their adoption and

publication”; (d) “[r]eviewing BP’s internal control systems as they relate to non-financial risk”; and (e) “[r]eviewing reports on the group’s compliance with its code of conduct and on the employee concerns programme.” The members of the SEEAC are defendants Castell (chair), Anderson, Burgmans and Carroll. By virtue of the fact that each member of this committee was charged with overseeing the Company’s safety and environmental law compliance, ethics, and risk mitigation, among other things, defendants Castell, Anderson, Burgmans and Carroll are personally implicated by the allegations contained herein and they would have been unable to comply with their fiduciary duties to disinterestedly determine whether to bring these claims.

110. The members of BP’s audit committee were charged, among other things, with: (a) “[r]eviewing the effectiveness of BP’s internal financial controls and . . . risk management”; (b) “[m]onitoring and obtaining assurance the management and mitigation of significant risks of a financial nature facing BP are appropriately addressed”; and (c) “[m]onitoring and reviewing the effectiveness of BP’s internal audit function.” The members of the audit committee are defendants Flint (chair), David and Davis. By virtue of the fact that each member of this committee was charged with ensuring that BP’s accounting and reporting practices ensured that all potential liability was accurately calculated and reported to the Company’s investors, and it was not, defendants Flint, David and Davis are personally implicated by the allegations contained herein and they would have been unable to comply with their fiduciary duties to disinterestedly determine whether to bring these claims.

111. Additionally, the audit committee members (Flint, David and Davis) and the SEEAC members (Anderson, Burgmans, Carroll and Castell) participate in a joint meeting in order to “review the general auditor’s report on internal controls and risk management for the previous year.” Thus, the members of the audit committee know about the health, safety and environmental issues facing the Company because they meet with the SEEAC to discuss risk management each year.

112. Moreover, the Director Defendants were recently sued for failure to pay due care to health, safety, and environmental issues at the Company. The Company settled those claims in May 2008. Despite their promises to uphold their fiduciary duties regarding health, safety, and environmental issues as part of that settlement, the Director Defendants have since demonstrated their inability or unwillingness to do so, as described herein.

113. The failures at all levels of the Company leading to the 2005 explosion in Texas City, Texas, as well as the massive oil spill and complete pipeline shutdown at Prudhoe Bay, Alaska in 2006, together with other improprieties, were the specific subject of a shareholder derivative lawsuit brought against BP’s Board of Directors and various officers in the 2006. *See In re BP P.L.C. Derivative Litigation*, No. 3AN-06-11929CI (Alaska Super. Ct. filed Oct. 5, 2006) (the “October 2006 Action”).

114. Plaintiffs in the October 2006 Action sought recovery on behalf of the Company against its directors and officers, including many of the same defendants as this action. Plaintiffs asserted that defendants breached their fiduciary duties to BP by, among other things, causing the Company to violate the laws of the U.S. and several states relating to environmental regulation and worker and workplace safety. In particular, plaintiffs

alleged that defendants resorted to improper and illegal activities to cut costs and temporarily boost BP's reported results -- including refusing to make expenditures for necessary plant and equipment inspections, worker training, emergency response plans and procedures, and the maintenance and replacement of equipment. This pattern of improper conduct led inevitably to both the 2005 explosion in Texas City, Texas, and the 2006 Prudhoe Bay oil leak and their attendant curtailment of production, employee injuries, civil and criminal investigations, government fines (including the record \$87 million fine by OSHA) and reputational damage.

115. The October 2006 Action was settled with an agreement that required defendants to agree to certain corporate governance changes at BP designed in part to prevent a recurrence of the disregard of safety and maintenance problems at the Company. Such changes included making safety and environmental performance a component in determining executive compensation and requiring non-executive Board members to participate in a program of visits to the Company's operating sites to assist in their understanding of the importance of safety and environmental concerns. While purporting to implement the relevant reforms, defendants have merely gone through the motions, while ignoring the substance and import of the October 2006 Action, which was to prevent further disasters like Prudhoe Bay and Texas City, Texas.

116. The Company has not experienced any improvement in its workplace and environmental safety under the Director Defendants' tutelage and it still suffers from the same negligible level of investment and resources in equipment maintenance and inspections, worker training, emergency response plans and procedures, and compliance with

law. Thus, the Director Defendants cannot be trusted to carry out improvements and reforms called for in the court-approved settlement of the previous full-blown shareholder derivative lawsuit, much less be trusted to decide whether to bring the current claims in the first instance.

117. Nor are the executive (employee) directors of BP able to objectively determine whether to bring these claims because they are each beholden to each other.

118. For example, BP’s remuneration committee is charged with determining the salaries, bonuses, stock awards, and other remuneration of each of BP’s Executive Directors. The compensation of the Executive Directors, defendants Hayward, Conn, Dudley, Grote and Inglis, purports to be based on various measures that include: “key safety measures (15% of bonus), staff numbers and survey results to reflect the people priorities (15%) and a set of financial and operational targets to measure performance (70%).”

119. Executive Directors Hayward, Conn, Dudley, Grote and Inglis are executive officers of BP who depend for their livelihoods on their positions, careers, and remuneration from BP. These defendants were very handsomely compensated in 2009, as reflected in the remuneration committee’s annual report:

Defendant	Salary	Bonus	Other	Total	Value of Stock Awarded
Hayward	£1,045,000	£2,090,000	£ 23,000	£3,158,000	£852,000
Conn	£ 690,000	£1,104,000	£ 46,000	£1,840,000	£551,000
Dudley	\$750,000	\$1,125,000	\$304,000	\$2,179,000	n/a
Grote	\$1,380,000	\$2,070,000	\$8,000	\$3,458,000	\$933,000

Defendant	Salary	Bonus	Other	Total	Value of Stock Awarded
Inglis	£ 690,000	£1,311,000	£216,000	£2,217,000	£483,000

Because the Executive Directors' remuneration and livelihood for 2010 will be severely impacted by the safety, financial, and operational impact of BP's continued health, safety, and environmental failures – especially the Deepwater Horizon disaster – the Executive Directors are not capable of objectively and disinterestedly deciding whether to bring these claims.

120. Indeed, the Executive Directors are beholden to members of BP's remuneration committee, who are themselves conflicted from objectively considering whether to bring these claims. The members of BP's remuneration committee are defendants Julius (chair), Burgmans, David and Davis. A majority of the remuneration committee (Burgmans, David and Davis) thus consists of audit committee (David and Davis) and SEEAC (Burgmans) members who face a substantial likelihood of personal liability for these claims and cannot objectively determine whether to commence a legal action on them. Thus, Executive Directors Hayward, Conn, Dudley, Grote and Inglis will have their compensation determined by directors who themselves are liable (Burgmans, David and Davis) and are beholden to the latter. Accordingly, the Executive Directors cannot objectively determine whether to bring these claims.

121. Recent events surrounding BP mean that the Company now faces scores of lawsuits, both in the Gulf Coast and across the country, including class actions, seeking to hold the Company liable for billions of dollars in damages as a result of the Deepwater

Horizon fire and oil spill, including damages for wrongful death and bodily injury, damages to real and personal property, damages to commercial interests (including tourism, commercial fishing, and recreational fishing, wholesale seafood distribution), damages to maritime activities, and environmental damages.

122. The Director Defendants cannot reasonably be expected to defend BP itself against allegations of misconduct in these actions while simultaneously pursuing these claims against officers, directors, and employees of BP for the same or very substantially related misconduct. In light of the vast number of claims in these lawsuits seeking to hold BP liable, it is not possible for the Director Defendants in this case, who constitute the entire Board, to impartially consider whether to bring these claims. If the Company pressed forward with its rights of action against the defendants in this case, then the Company's efforts would undercut or even compromise the defense of the other lawsuits.

123. Plaintiff will adequately and fairly represent the interests of BP in enforcing and prosecuting its rights.

FIRST CAUSE OF ACTION

Intentional Breach of Fiduciary Duty Against All Defendants

124. Plaintiff incorporates ¶¶1-123.

125. As BP's directors and officers, defendants were required to exercise the highest duties of loyalty, good faith, independence and candor in the conduct of BP's business and affairs. They were also required to use their abilities to control and manage BP in a fair, just and lawful manner, to refrain from abusing their positions of control, and not to favor their own interests or ideology at the expense of BP and its public shareholders.

126. Defendants breached these fiduciary obligations owed to BP and its shareholders by conducting BP's business and affairs in ways that continuously and systematically resulted in numerous violations of the safety and environmental laws applicable to BP's business.

127. The wrongful conduct alleged herein was not due to an honest error of judgment, but rather, was due to the defendants' deliberate conduct and bad faith and reckless disregard of the rights and interests of BP and its public shareholders.

128. As a result of the foregoing, defendants have willfully participated in harming BP and its public shareholders and have breached and/or aided and abetted breaches of fiduciary duties owed to BP and its public shareholders.

129. By reason of the foregoing, BP has sustained and will continue to sustain damages and irreparable injury for which it has no adequate remedy at law.

SECOND CAUSE OF ACTION

Negligent Breach of Fiduciary Duty Against All Defendants

130. Plaintiff incorporates ¶¶1-123.

131. Defendants engaged in the aforesaid wrongful conduct which breached their fiduciary duties of loyalty, good faith, independence and candor without exercising the reasonable and ordinary care which they as directors and/or officers owed to BP and have thereby negligently breached and/or aided and abetted breaches of fiduciary duties to BP and its public shareholders.

132. As a result of defendants' negligent breach of fiduciary duty, BP has sustained and will continue to sustain damages and irreparable injury, for which it has no adequate remedy at law.

THIRD CAUSE OF ACTION

Abuse of Control Against All Defendants

133. Plaintiff incorporates ¶¶1-123.

134. Defendants owed duties, as controlling persons, to BP and its public shareholders not to use their positions of control within the Company for their own personal interests and contrary to the interest of BP and its public shareholders or permit their own bias and prejudice to influence decisions they make affecting the Company so as to cause the Company or its subsidiaries to violate the safety and environmental laws applicable to BP's business.

135. The conduct by the defendants amounted to an abuse of their abilities to control BP in violation of their obligations to BP and its public shareholders.

136. As a result of the defendants' abuse of control, BP has sustained and will continue to sustain damages and irreparable injury, for which it has no adequate remedy at law.

FOURTH CAUSE OF ACTION

Gross Mismanagement Against All Defendants

137. Plaintiff incorporates ¶¶1-123.

138. Defendants have grossly mismanaged BP's business and affairs, and exposed and subjected BP to enormous damages, fines, penalties, and settlements, as well as possible

criminal prosecutions, by causing the Company to operate in ways that routinely violated the safety and environmental laws applicable to its business. They have also failed to exercise good faith and/or independent oversight of BP or its executives, and thus have permitted that gross mismanagement.

139. By their actions, defendants breached their fiduciary duties to direct and control BP in a manner consistent with the legal duties of directors and officers of a publicly held company.

140. As a result of the defendants' abuse of control, BP has sustained and will continue to sustain damages and irreparable injury, for which it has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands judgment and preliminary and permanent relief, including injunctive relief, in favor of plaintiff, on behalf of BP, and against defendants as follows:

- A. Declaring that the defendants have breached and are breaching their fiduciary duties of loyalty, good faith, independence and candor owed to BP and its public shareholders;
- B. Awarding compensatory and/or punitive damages plus interest;
- C. Awarding plaintiff's costs and disbursements and the fees of plaintiff's counsel;

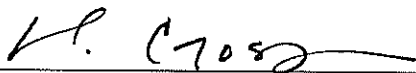
D. Granting injunctive relief to compel the BP Board to cause the Company, its executives and managers to not violate applicable safety and environmental laws, rules and regulations applicable to BP's business;

E. Appointing an independent Corporate Monitor to assume control of and responsibility for the development and implementation of safety and environmental compliance protocols at BP; and

F. Granting such other and further relief as the Court may deem just and proper.

DATED: May ~~20~~, 2010

ASHBURN & MASON, P.C.
DANI CROSBY
Alaska Bar No. 9809041



DANI CROSBY

1227 W. 9th Avenue, Suite 200
Anchorage, AK 99501
Telephone: 907/276-4331
907/277-8235 (fax)

JERMAIN DUNNAGAN & OWENS, P.C.
HOWARD S. TRICKEY
Alaska Bar No. 7610138
3000 A Street, Suite 300
Anchorage, AK 99503
Telephone: 907/563-8844
907/563-7322 (fax)

ROBBINS GELLER RUDMAN & DOWD LLP
PATRICK J. COUGHLIN
DAVID C. WALTON
BENNY C. GOODMAN III
655 West Broadway, Suite 1900
San Diego, CA 92101-3301
Telephone: 619/231-1058
619/231-7423 (fax)

ROBBINS GELLER RUDMAN & DOWD LLP
RANDI D. BANDMAN
52 Duane Street, 7th Floor
New York, NY 10007
Telephone: 212/693-1058
212/693-7423 (fax)

Attorneys for Plaintiff

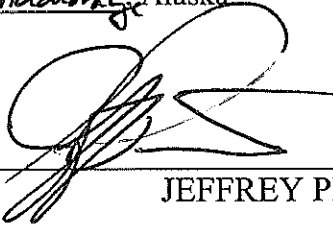
S:\CptDraft\Derivative\Cpt BP State Derv.doc

VERIFICATION

I, Jeffrey Pickett, hereby declare as follows:

I am familiar with the allegations in the Complaint, I have authorized the filing of the Complaint, and the foregoing is true and correct to the best of my knowledge, information and belief.

Executed this 18th day of May, 2010, at Anchorage Alaska



JEFFREY PICKETT