

BP's Q3 Oil Spill Payout: Not Bad For Businesses, But Serious Danger May Loom

Summary

- Running total of Q3 is almost a rounding error.
- New claims continue to pour in.
- Filed claims not yet fully processed continue to be possibly a mega-billion number.

Of all of BP's (NYSE:[BP](#)) legal woes regarding its 2010 oil spill, it seems that nothing is filled with more drama than the fight over its business economic loss claims. BP has said that it is so uncertain of the outcome of these claims that it won't even bother trying to guess. BP will just record the quarterly expenses as the cash is physically paid out with no estimate of future or even ongoing charges (past the reporting date) being included anywhere on its financial statements. Since late last year, payments were halted temporarily by the court while BP slugged it out in the appellate courts. Long story made short, BP lost those appeals and lost a bid with the Supreme Court to keep the halt locked on. During the second quarter payments started again at a slow pace. What's in store in the way of charges for the third quarter? Using the power of the all mighty internet, we don't have to wait to find out how it's progressing so far.

Below is a snapshot of the statistics as of the morning of July 1 and maintained by the court-appointed administrator of the settlement:

(click to enlarge)

Public Statistics for the Deepwater Horizon Economic and Property Damages Settlement
July 1, 2014

Table 5	Claim Type	Payment Information						
		Eligibility Notices Issued with Payment Offer		Accepted Offers		Payments Made		
		Number	Amount	Number	Amount	Number	Amount	Unique Claimants Paid
1.	Seafood Compensation Program	9,215	\$1,123,077,536	8,197	\$1,107,584,283	7,854	\$1,088,690,912	4,617
2.	Individual Economic Loss	5,232	\$66,780,730	4,878	\$63,168,909	4,617	\$55,739,894	4,617
3.	Individual Periodic Vendor or Festival Vendor Economic Loss	8	\$77,085	8	\$77,085	8	\$77,085	8
4.	Business Economic Loss	12,529	\$3,064,876,770	11,995	\$2,910,201,937	10,436	\$2,104,436,731	10,000

Here is a screen shot from last Friday from [the same website](#):

(click to enlarge)

Public Statistics for the Deepwater Horizon Economic and Property Damages Settlement
September 12, 2014

Table 5	Claim Type	Payment Information						
		Eligibility Notices Issued with Payment Offer		Accepted Offers		Payments Made		
		Number	Amount	Number	Amount	Number	Amount	Unique Claimants Paid
1.	Seafood Compensation Program	9,276	\$1,126,449,750	8,284	\$1,112,483,512	7,983	\$1,096,356,025	4,684
2.	Individual Economic Loss	5,511	\$69,487,874	5,129	\$66,280,405	4,872	\$59,953,056	4,872
3.	Individual Periodic Vendor or Festival Vendor Economic Loss	8	\$77,085	8	\$77,085	8	\$77,085	8
4.	Business Economic Loss	13,887	\$3,147,726,762	13,073	\$2,984,320,082	11,224	\$2,188,586,770	10,671

The good news: There has been only \$81,150,039 in payments for the business economic loss claims so far in the third quarter. For a mammoth like BP, \$81 million is almost a rounding error.

The bad news: The low running total this quarter is mostly simply due to a snail's pace in terms of the speed the administrator is processing the claims. Only 788 claims paid were paid out although they did average almost \$103,000 a piece. At the same time, 1,544 fresh new claims have been filed so far this quarter alone.

The worst news: There are still 71,841 and growing business economic loss claims with the potential of payouts and no deadline in sight for at least six months and possibly years to come. If you do the math above, there is a potential \$195,000 per claim based on the average of all claims paid out multiplied by say a very conservative 80,000 already-pending and to-be-filed claims equals \$15.6 billion. Some of them will inevitably get denied through the natural course of the process. Others will hear about neighboring businesses getting their \$200,000 checks and it may spread awareness and an acceleration of new claims well beyond 80,000 and \$200,000 each. What's more is larger companies tend to go through the process longer (lots of more paperwork to sift through), so we don't even know if there are some much more sizable claims coming from larger companies. If you scan through the SEC filings, it's rare to see a public company mention it received its BP check yet even though up to literally thousands of them are eligible who have any locations in areas such as west Florida, east Texas, or anywhere in Mississippi, Louisiana, or Alabama and had some sales decline during 2010 (when the economy was already in shambles anyway). BP can't put its finger on the total bill, but I'll be watching and reporting closely for material changes and quarterly totals. For the third quarter, it's nothing, but serious potential economic danger continues to loom for BP.