

BP plans its return to Gulf of Mexico

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BP expects to resume drilling in the Gulf of Mexico in the second half of the year, just months after the **first anniversary of last April's spill**.

The group confirmed its intention as it revealed that **first-quarter profits had been hit by lower production** despite oil prices of more than \$100 a barrel.

"We expect to be back and actively drilling in the second half of the year," Byron Grote, BP's chief financial officer, told analysts. He confirmed that BP had applied for permits with US authorities to drill in the deep water of the gulf, although these are understood to be for development wells in existing fields rather than new exploration.

A return would help to bolster BP's production, which fell 11 per cent in the quarter because of last year's moratorium on drilling in the region, as well as the sale of more than \$24bn (£14.5bn) worth of assets.

Lower production and additional costs related to the spill, as well as higher tax charges in the North Sea, also hit BP's profits. BP's replacement cost net profit, which strips out the value of oil and gas inventory, was \$5.48bn in the quarter, down 2 per cent on the same period last year.

BP took an additional \$400m charge for the accident, bringing the total bill to \$41.3bn. Profits were also hit by a higher effective tax rate, including a \$683m, one-off deferred tax adjustment in respect of the recent lift in the supplementary charge on North Sea oil and gas production.

The company's shares, which closed up 0.39 per cent to 466p in London, still remain below the 655.4p level they were trading at before the accident.

Investors are also awaiting the outcome of BP's dispute with its Russian partners in its **TNK-BP** joint venture over its proposed tie-up with **Rosneft**, the country's state oil champion. BP will next week attempt to convince an arbitration tribunal to **lift the block on its proposed \$16bn share swap with Rosneft**.

Mr Grote, who is expected to give evidence on behalf of BP at hearings next week, declined to comment on the issue.

The results underlined the importance of TNK-BP to the group's overall production. BP's 50 per cent share in TNK-BP contributed 27 per cent of BP's total production for the quarter of 3.587m barrels of oil equivalent per day.

Viktor Vekselberg, one of BP's partners in the venture, told the BBC in an interview that the partners could sell out, potentially paving the way for a solution to the dispute.

"Of course it can happen, for sure. If it will be [an] interesting proposal for us according to our understanding of [the] valuation of this company," Mr Vekselberg said.

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