

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL

WSJ.com

MANAGEMENT | JULY 26, 2010

Embattled BP Chief to Exit

American Robert Dudley to Succeed Tony Hayward as Head of British Oil Giant

By [BRUCE ORWALL](#), [MONICA LANGLEY](#) And [JAMES HERRON](#)

The board of BP PLC is negotiating the departure of its embattled chief executive, Tony Hayward, according to people familiar with the matter, a bid by the U.K. oil titan to move beyond the Gulf of Mexico disaster that has undercut his three-year effort to remake the company.



The oil giant is expected to name Managing Director Robert Dudley, an American, to succeed CEO Tony Hayward, who has been widely criticized for his handling of the Gulf of Mexico oil spill. Bruce Orwall and Bob O'Brien discuss. Also, Matt Phillips discusses why it hasn't been wise lately for CEOs to tell skittish investors about expansion plans.

recently, ahead of refining chief Iain Conn, who many industry observers had tipped as Mr. Hayward's most likely replacement. Analysts say the fact that Mr. Dudley is American helped his chances to lead the largest oil and gas company in the U.S.



Tony Hayward, left, and Bob Dudley.

Reuters

The BP board is scheduled to meet Monday to discuss and approve Mr. Hayward's departure, these people said, one describing the decision as "mutual."

If that happens as expected, the board is set to name Managing Director [Robert Dudley](#) as the new chief executive on Tuesday, when it releases second quarter results.

The move would install the first American at the top of BP, a veteran insider who heads the company's U.S. operations and hails from the region devastated by the oil spill. BP has chosen Mr. Dudley, who wasn't viewed as the top CEO candidate until

The plan before the board would elevate Mr. Dudley to CEO on Oct. 1, according to a person familiar with the plan, allowing for an orderly transition at a company that was thrust into crisis by the April 20 explosion and fire that sank the Deepwater Horizon oil rig in the Gulf, killing 11 people and setting off the worst offshore oil spill in U.S. history.

Mr. Hayward would stay on the board for the rest of the year. BP's chairman, former Telefon AB LM Ericsson chief Carl-Henric Svanberg, would remain in place. As

expected, Mr. Hayward will discuss BP's second-quarter results on Tuesday, when the company is expected to describe the massive liability from the disaster.



Reports on Day 97 of the Gulf crisis indicate BP Chief Tony Hayward may exit as Gulf Cleanup Resumes with ships returning after a short-lived Tropical Storm Threat. Video Courtesy of Fox News.

Mr. Hayward's exit has been widely anticipated, given the heavy criticism of BP's response to the crisis. Most observers, however, expected that he wouldn't depart until the completion of a relief well that is expected to permanently shut down the flow of oil from the well because the company didn't want to saddle a new chief with the stigma of the event.

With a new cap appearing to hold the oil for now while the relief well is drilled, however, the talks between Mr. Hayward and BP intensified in the past week to 10 days, these

people indicated.

EXPERIENCE WSJ PROFESSIONAL

Editors' Deep Dive: Troubled Firms Appoint New Leaders

DOW JONES ENERGY SERVICE
BP Prioritizes Restoration of Reputation

DOW JONES COMMENTARY
 Great A&P Names New CEO, Again

BUSINESS INSURANCE
 Boardroom Spat at AIG Leads to New Chairman

Access thousands of business sources not available on the free web. [Learn More](#)

One person familiar with the matter said that for some time there had been "a discussion building within the board" to make a management change, but that notion "crystallized in the last week."

A BP spokesman said: "Tony Hayward is the chief executive and has the confidence of the board and senior management."

Although the Obama administration made it clear that it was unhappy with Mr. Hayward's handling of the crisis, the decision to replace the CEO is a "decision for

BP's board," said a White House official.

Mr. Hayward has spent the last week or so weighing whether he should resign "with honor for the sake of BP," said a person familiar with his thinking.

Gusher in the Gulf

See graphics covering how the spill happened, what's being done to stop it, and the impact on the region.

- Recipe for Disaster?
- Choking the Source
- Slowing the Spread**
- Closing Pipes
- The Siphon Plan
- Two More Ideas
- Relief Wells
- Timeline of Disaster
- Well Breakdowns
View Interactive

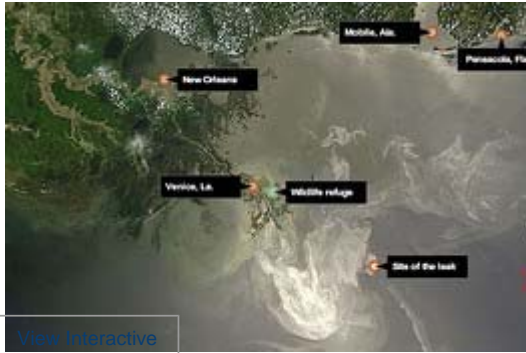


Still, in recent weeks, he sometimes sought to signal he was still in control of the company, via meetings with government heads and big shareholders.

Another person familiar with the process said the change wasn't meant to be seen as an indictment of Mr. Hayward, nor was it linked to any investigations of the Deepwater Horizon debacle.

Rather, the move was recognition of the fact that Mr. Hayward was no longer seen as able to address one of the company's most crucial

From the Air



Timeline

Follow key developments since the initial explosion.



More photos and interactive graphics

More

Deal Journal: Will Dumping CEO Boost BP Stock?

Dudley Pick Underscores Importance of U.S. BP Results to Expand on Disaster Costs

Alarm Was Disabled Before BP Blast

Lawyers to Jockey Over Litigation Venue

The Source: Deeper Changes Needed at BP
BP Plots Survival Strategy

Journal Community



predecessor, John Browne, resigned over a scandal involving allegations about his private life. Mr. Hayward vowed to make BP a more formidable competitor in the global oil world by streamlining a company that had grown unwieldy thanks to a series of acquisitions, notably its 1998 takeover of Amoco Corp.

tasks: repairing BP's reputation and restoring its credibility in the critical U.S. market, where it is the biggest oil and gas producer.

BP's annual report says the company's standard employment contracts may be terminated at any time with the payment of one year's salary, although the company's remuneration committee may consider mitigating factors, "to reduce compensation to a departing director, when appropriate to do so."

Mr. Hayward earned £1.045 million (\$1.6 million) in 2009, a tally that rose to £4 million with bonuses. Given the damage Mr. Hayward's career has sustained—and the difficulty he may face securing another top executive post—he may be negotiating for a far higher payout than the contract calls for.

Mr. Hayward is also entitled to his BP pension; as of Dec. 31, 2009, he had accrued £10.84 million in his pension account.

On Sunday, some analysts described Mr. Hayward's departure as a loss, given BP's surging financial performance before the spill, but likely a necessary one.

"If Tony stands down it is a political give-up for BP in order to kick-start a new era for the company," said ING analyst Jason Kenney.

"Hayward has transformed BP and improved the operational performance of the company," said Panmure Gordon analyst Peter Hitchens. "But I feel the board needs a scapegoat and that might be the CEO."

Mr. Hayward is in this predicament in large part because of the torrent of criticism he has faced over the past three months, over both the company's handling of the Gulf crisis and its poor safety record.

He took over BP in 2007, after his

He also pledged to clean up the company's poor safety record, which was badly tarnished by incidents including a 2005 blast at a Texas City, Texas, refinery that killed 15 people and injured more than 170.

Since the third quarter of 2009, BP has impressed analysts with a succession of strong quarterly results, most recently a net profit of \$6.08 billion for the first quarter of 2010. But everything changed at 7:24 a.m. on April 21, when Mr. Hayward received a call in London detailing the explosion from the night before.

In the disaster that later unfolded, Mr. Hayward became a lightning rod for criticism after his poor performance before a congressional panel and an infamous gaffe in which he complained "I want my life back" against a backdrop of economic suffering and hardship in the Gulf region.

The chief executive abruptly returned to London and handed over the reins of dealing with the Gulf to Mr. Dudley.

The spill also opened the door for an unflattering re-evaluation of the safety improvements Mr. Hayward often bragged about over the last year. The picture that emerged was of a company whose cost-cutting agenda drowned out its safety message, and BP was found to be in continuing conflict with both U.S. health and safety regulators and state officials in places like Alaska.

Mr. Dudley, 54 years old, arrived in London last week to help the company prepare for second-quarter results, specifically on quantifying the estimate of massive liability BP will disclose with Tuesday's second-quarter results. By the weekend, however, he became the choice to become the next CEO, although Mr. Dudley wasn't seeking that job, one person familiar with the situation said.

Mr. Dudley's stock rose in recent weeks as he navigated the tricky and occasionally contentious relationships between BP and the federal government and affected states on numerous fronts from pushing through damage claims to working with Adm. Thad Allen, the government's point person on the spill, on sub-sea maneuvers to cap the well and shoreline defenses to clean up the oil.

Another point in Mr. Dudley's favor—he was once a top executive at Amoco, the name some advisers have recommended that BP revert to for its U.S. operations.

The cost of the oil spill to BP has been enormous—and is continuing. An internal tally shows work at the sub-sea level to contain the oil and the Gulf Coast shoreline to clean up the oil is costing about \$64 million a day.

That doesn't include the expected flurry of claims, for which the White House pressured BP to set up a \$20 billion escrow fund. BP last week agreed to sell \$7 billion in assets.

The disaster also hurt BP share prices, which plunged by more than half in the wake of the accident.

Write to Bruce Orwall at bruce.orwall@wsj.com, Monica Langley at monica.langley@wsj.com and James Herron at james.herron@dowjones.com

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com