Underwriters agreed to buy the British Petroleum stock from the government at a pre-determined price with the expectation they would be able to resell to the public at a profit, but they were burned when the worldwide stock market collapse caused investors to lose interest in the BP shares.

The combined $12.4 billion sale consisted of the government's remaining 31.5 percent stake in the oil giant plus $2.6 billion worth of new shares to raise funds for BP.

Supporting the share price was the Treasury's only concession to the world stock markets' crash when it decided to go ahead with its latest privatization.

The new partly paid BP shares began trading Friday afternoon and closed at $1.46. The Bank of England stood ready to buy them back at $1.20 a share. The higher price meant the central bank did not have to act immediately.

The market price was below the $2.06 a share that the underwriters must pay the government. The Bank of England's offer to buy shares limits underwriters' potential losses, but does not eliminate them.

Stock prices in general were very strong on the London market, partly because of the suspense was finally ended about whether the government would proceed with the BP sale. The Financial Times' index of 100 stocks rose 4 percent.
Despite the buoyant trading, the BP sale still represents the first major failure of Prime Minister Margaret Thatcher's successful and ambitious program of selling off state-owned companies.

The British public, which had snapped up earlier stocks, decided not to buy the BP shares after the stock markets' crash.

The British public applied for only 7 percent of the BP shares under the fixed price offer, according to lead underwriter N.M. Rothschild and Sons Ltd.

The American underwriters, Goldman, Sachs and Co., Salomon Brothers Inc., Shearson Lehman Brothers Inc. and Morgan Stanley and Co., faced the most exposure because they underwrote 22 percent of the sale, analysts said.

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